

## **APPENDIX B**

### **INFORMATION CONCERNING THE CALIFORNIA COMMUNITY COLLEGES AND THEIR FINANCED FACILITIES**

#### **THE CALIFORNIA COMMUNITY COLLEGES**

##### **General**

There are 71 Community College Districts in the State operating 106 campuses statewide. Each California Community College District is governed by a locally-elected governing board (the "College District Governing Board"). Each College District Governing Board is responsible for the day-to-day operations of each respective College District.

At the State level, the Board of Governors of the California Community Colleges (the "Board of Governors") consists of 13 members appointed by the Governor with the advice and consent of two-thirds of the Senate. In addition, the Board of Governors includes one voting student enrolled in a community college at the time of the Governor's appointment and two voting academic senate faculty members. The Board of Governors provides leadership and direction to the community colleges by way of policy-making activities. However, the Board of Governors endeavors to maintain the autonomy of the College Districts.

Pursuant to Section 15820.60(e) of the California Government Code, the College Districts that enter into Leases with the Board will authorize the Chancellor and the State Controller to withhold the specified amount of each College District's annual apportionment of State aid for rental payments under the Leases; and, acting on behalf of each College District, the State Controller will transfer the appropriate funds from the State School Fund to the State Public Works Board for payment of debt service on the Bonds. See "Security and Sources of Payment For All Series of Bonds--Intercept Mechanism".

##### **Education Program**

Generally, the course of study for two-year community colleges is designed to fit the needs of students of the 13th and 14th educational levels. The courses generally include instruction designed to prepare students for admission to upper divisions of higher institutions of learning and other courses of instruction designed to prepare students for agricultural, commercial, homemaking, industrial, and other vocations, and such courses of instruction as may be deemed necessary to provide for the civic and liberal education of the citizens of the community.

##### **Seismicity**

Generally, within the State, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential damage to property located at or near the center of such seismic activity.

The Community Colleges have developed procedures and use design standards which have resulted in buildings designed to withstand earthquakes of a magnitude anticipated in each Facility's location. Standards and procedures are used to ensure that each Facility and all Community College projects are designed and constructed to the highest seismic standards.

- Detailed geotechnical reports are prepared that address the seismic characteristics of each site.
- Buildings are then designed and engineered to meet or exceed the highest risk of seismic activity (California Building Code Seismic Zones 3 and 4).
- Internal design review by certified engineers ensure that the latest technologies are incorporated into the designs even before all code requirements are formally adopted.
- Independent seismic reviews are also done by registered professionals of the Division of State Architect for all buildings during the design phase.
- Field inspections and testing by certified inspectors and registered professionals are ongoing during construction to ensure compliance with design seismic standards.

As a result, each Facility is designed and engineered to withstand any seismic events likely to occur in its area. Throughout the State, all community college revenue bond funded projects have withstood recent seismic events in their specific areas and, at most, have experienced minor damage, such as cosmetic cracking, that has not interfered with the operation of the colleges.

## THE FINANCED FACILITIES

### The 1997B Colleges Facilities

All the facilities relating to the 1997B Colleges Bonds are complete and are in full use and occupancy by the respective College Districts. The approximate allocation of debt service on the 1997B Colleges Bonds to the 1997B Colleges Base Rental Payments for each 1997B Colleges Facility are as set forth below:

<u>Facility</u>	<u>Approximate Allocation of Debt Service</u>
1. Alan Hancock Joint Community College District Alan Hancock College Humanities Building - Construction	5.6%
2. Coast Community College District Orange Coast College Biology Building - Construction	1.0
3. Kern Community College District Bakersfield College Science Laboratory - Construction	1.7
4. Kern Community College District Cerro Coso College Multi-Use Physical Education Facility - Construction	9.9
5. Kern Community College District Porterville College Instructional Building - Construction	7.8
6. Los Angeles Community College District Los Angeles Mission College Instructional and Administration Building - Construction	17.6
7. Mendocino-Lake Community College District Mendocino College Outdoor Physical Education Facility - Construction	5.0
8. Mt. San Jacinto Community College District West Center Permanent Facilities I - Construction	8.7
9. Napa Valley Community College District Napa Valley College Child Care Facility - Construction	3.3
10. Riverside Community College District Moreno Valley Center Permanent Building, Phase I - Construction	16.3

	<u>Facility</u>	<u>Approximate Allocation of Debt Service</u>
11.	Riverside Community College District Norco Center Permanent Building, Phase I - Construction	15.4
12.	San Diego Community College District San Diego Miramar College Instructional Center - Construction	6.5%
13.	West Hills Community College District West Hills College Library Addition - Construction	1.2

## The 1997C Colleges Facilities

All the facilities relating to the 1997C Colleges Bonds are complete and are in full use and occupancy by the respective College Districts. The approximate allocation of debt service on the 1997C Colleges Bonds to the 1997C Colleges Base Rental Payments for each 1997C Colleges Facility are as set forth below:

	<u>Facility</u>	<u>Approximate Allocation of Debt Service</u>
1.	Kern Community College District Bakersfield College New Library - Construction	9.8%
2.	Lake Tahoe Community College District Lake Tahoe College Instructional/Administration College Facility - Construction	6.8
3.	Los Angeles Community College District Los Angeles Mission College Learning Resource Center - Construction	7.6
4.	Los Rios Community College District Cosumnes River College Fine Arts Complex - Construction	6.7
5.	Mt. San Antonio Community College District Mt. San Antonio College Performing Arts Center - Construction	14.0
6.	Pasadena Area Community College District Pasadena City College Community Skills Center - Construction	10.9
7.	Rancho Santiago Community College District Rancho Santiago College Business/Computer Building - Construction	12.1
8.	Sierra Joint Community College District Sierra College Learning Resource Center - Construction	13.9
9.	State Center Community College District Fresno City College Allied Health/Public Services - Construction	5.7
10.	Victor Valley Community College District Victor Valley Center Learning Resource Center - Construction	5.9
11.	Victor Valley Community College District Victor Valley Center Science Building - Construction	6.4

## The 1997D Colleges Facilities

All the facilities relating to the 1997D Colleges Bonds are complete and are in full use and occupancy by the respective College Districts. The approximate allocation of debt service on the 1997D Colleges Bonds to the 1997D Colleges Base Rental Payments for each 1997D Colleges Facility are as set forth below:

	<u>Facility</u>	<u>Approximate Allocation of Debt Service</u>
1.	Allan Hancock Joint Community College District Allan Hancock College Secondary Effects of Renovation -- Construction	1.3%
2.	Antelope Valley Community College District Antelope Valley College Library Building -- Construction	3.9
3.	Cerritos Community College District Cerritos College Learning Resource Center Remodel/Expansion -- Construction	4.5
4.	Chaffey Community College District Chaffey College Learning Resource Center Remodel/Expansion -- Construction	1.4
5.	Coast Community College District Orange Coast College Vocational Technology Building -- Construction	7.7
6.	Desert Community College District Copper Mountain Center Library/Learning Resource Center -- Construction and Equipment	1.2
7.	Desert Community College District Copper Mountain Center Student Service Center -- Construction and Equipment	1.1
8.	El Camino Community College District El Camino College Library Addition -- Construction	5.2
9.	Feather River Community College District Feather River College Science Module -- Construction and Equipment	1.1
10.	Foothill--DeAnza Community College District DeAnza College Computer/Electronics/Telecom Building -- Construction	11.2
11.	Glendale Community College District Glendale College Remodel and create classrooms -- Construction	1.6
12.	Lake Tahoe Community College District Lake Tahoe Community College Child Care/Development Facility -- Construction	.8

	<u>Facility</u>	<u>Approximate Allocation of Debt Service</u>
13.	Los Angeles Community College District East Los Angeles College Vocational Building -- Construction	2.6
14.	Los Angeles Community College District Los Angeles Southwest College Technical Education Center -- Construction	4.0%
15.	Marin Community College District Indian Valley College Working drawings and retrofit for welding/machine shop -- Construction	0.5
16.	Mendocino--Lake Community College District Mendocino College Fine Arts Building -- Construction	6.1
17.	Mt. San Jacinto Community College District Mt. San Jacinto College Business and Technology Building -- Construction and Equipment	2.6
18.	Napa Community College District Upper Valley Center On-Site Development and Permanent Facilities -- Construction and Equipment	3.5
19.	Pasadena Community College District Pasadena City College Library -- Construction	0.1
20.	Peralta Community College District Merritt College Conversion of Space -- Construction and Equipment	0.9
21.	Saddleback Community College District Irvine Valley College Outdoor Physical Education Facility -- Construction	1.5
22.	Saddleback Community College District Irvine Valley College Indoor Physical Education Gymnasium -- Construction	1.8
23.	San Joaquin Delta Community College District San Joaquin College Child Care/Development Facility -- Construction and Equipment	2.3
24.	Santa Barbara Community College District Santa Barbara City College New Business Communications Center -- Construction	4.9
25.	Santa Monica Community College District Santa Monica College Technology Building Addition -- Construction	3.2

	<u>Facility</u>	<u>Approximate Allocation of Debt Service</u>
26.	Sequoias Community College District Sequoias College Home Economics/Classroom Building -- Construction and Equipment	3.1
27.	South County Community College District Chabot College, Valley Campus, Los Positas College Learning Resource Center/Offices -- Construction and Equipment	4.4
28.	Victor Valley Community College District Victor Valley Community College Indoor Physical Education Gymnasium -- Construction	3.6%
29.	Yosemite Community College District Modesto Junior College Fire Training Center -- Construction	2.8
30.	Yuba Community College District Woodland Center Learning Resource Center -- Construction and Equipment	2.1



## The 1997E Colleges Facilities

All the facilities relating to the 1997E Colleges Bonds are complete or in full use and occupancy by the respective College Districts. The approximate allocation of debt service on the 1997E Colleges Bonds to the 1997E Colleges Base Rental Payments for each 1997E Colleges Facility are as set forth below:

	<u>Facility</u>	<u>Approximate Allocation of Debt Service</u>
1.	Kern Community College District Porterville College Secondary Effects Instructions Facility	1.8%
2.	Los Angeles Community College District West Los Angeles College Aerospace Complex	12.0
3.	Riverside Community College District Moreno Valley Center Buildings, Phase II	14.7
4.	Riverside Community College District Norco Valley Center Buildings, Phase II	17.5
5.	San Francisco Community College District San Francisco City College Library Building	23.7
6.	San Mateo County Community College District Skyline College Learning Resource Center	9.4
7.	Sonoma County Junior College District Petaluma Center Permanent Facilities	10.2
8.	Ventura County Community College District Moorpark College Performing Arts Building	10.8

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## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS

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## **APPENDIX C**

### **SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS**

The following is a brief summary of the provisions of the primary legal documents pertaining to each Series of Bonds described in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Copies of said documents are available from the State Treasurer.

#### **I. Provisions Relating to the Indentures for the 1997C Colleges Bonds**

##### ***Definitions***

The following terms used in this Part I of Appendix C have the meanings set forth below. These terms relating to the 1997C Colleges Bonds are also applicable to Part III of this Appendix C. Each capitalized term not otherwise defined herein shall have the meaning set forth in the Colleges-C Indenture, as those terms are defined below.

"Act" means the State Building Construction Act of 1955 (being Part 10b of Division 3 of Title 2 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

"Additional Rental" means reasonable amounts received by the Board from the College District in each year as additional rental payments sufficient for the Board to pay all administrative costs and other expenses of the Board in connection with the Colleges-C Facilities.

"Annual Debt Service" means, for any Fiscal Year, the sum of (1) the interest (including any compound interest) payable on all Outstanding Bonds and Incorporated Bonds in such Fiscal Year, assuming that all Outstanding Serial Bonds and Incorporated Bonds are retired as scheduled and that all Outstanding Term Bonds and Incorporated Bonds are redeemed or paid from sinking account payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds and Incorporated Bonds maturing by their terms in such Fiscal Year, and (3) the principal amount of all Outstanding Term Bonds and Incorporated Bonds required to be redeemed or paid in such Fiscal Year (together with the redemption premium, if any, thereon).

"Base Rental" means all amounts received by the Board from the Department as base rental payments pursuant to a Lease to be used to pay the interest on and principal of a Series of Bonds or a Related Series of Bonds.

"Board" means the State Public Works Board of the State of California, an entity of state government duly organized and validly existing under and pursuant to Chapter 2 of Part 10.5 of Division 3 of Title 2 of the California Government Code.

"Bonds" means all lease revenue bonds of all Series authorized by and at any time Outstanding pursuant to the Master Indenture and executed, issued, and delivered in accordance with Article 3 of the Master Indenture. "Serial Bonds" means Bonds for which no sinking account payments are provided. "Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Bond Year" means, with respect to each Series of Bonds, that 12-month period commencing on each principal payment date (or for any Series of Bonds with a semi-annual principal payment date, the first principal payment date occurring within each calendar year), or the anniversary of such date, for such Series of Bonds; provided, the first Bond Year for any Series of Bonds shall commence on the date of issuance of such Series and end on the day before the next principal payment date (or for any Series of Bonds with a semi-annual principal payment date, the first principal payment date occurring within each calendar year), or anniversary thereof.

"Business Day" means a day of the year other than a Saturday or Sunday or a day on which State of California offices or banking institutions located in the State are required or authorized to remain closed.

"Capitalized Interest Subaccount" means the subaccount of the Interest Account by that name established pursuant to the Master Indenture.

"College District" means each Community College District which is a lessee under a Facility Lease relating to the 1997C Colleges Bonds, and as listed in Appendix B under the caption "The Financed Facilities - The 1997C Colleges Facilities."

"Colleges-C Bonds" means the Prior Colleges-C Bonds, the Series 1997C Colleges Bonds and any Related Series of Bonds, equally secured by the Colleges-C Revenues, pursuant to the Colleges-C Indenture.

"Colleges-C Facility; Colleges-C Facilities" means the Colleges-C Projects and the Colleges-C Sites.

"Colleges-C Facilities Lease" means any lease of a Colleges-C Facility, dated as of November 1, 1994, entered into between the Board as lessor and a College District, as lessee, for a Colleges-C Facility, as originally executed and as it may from time to time be amended or supplemented pursuant to its terms and the terms of the Colleges-C Indenture. The term "Colleges-C Facilities Leases" means all such leases.

"Colleges-C Indenture" means the Master Indenture as supplemented by the Fourth Supplemental Indenture dated as of October 1, 1994, between the Board and the Treasurer, the Eleventh Supplemental Indenture dated as of September 1, 1996, the Thirteenth Supplemental Indenture dated as of November 1, 1996 and the \_\_\_\_\_ Supplemental Indenture.

"Colleges-C Project; Colleges-C Projects" means any one of, or all of, the various facilities and equipment at certain community college campuses listed in Appendix B under the caption "The Colleges Facilities and Projects - The 1997C Colleges Projects", and all additions, betterments, extensions, and improvements thereto.

"Colleges-C Revenues" means certain proceeds of the Colleges-C Bonds deposited in the Interest Account, all Base Rental payments received by the Board pursuant to the Colleges-C Facilities Leases, and all other benefits, charges, income, proceeds, profits, receipts, rents, proceeds of insurance, and revenues derived by the Board from the ownership, operation, or use of the Colleges-C Facilities, including interest or profits from the investment of money in any account or fund (other than the Rebate Fund and the Reserve Fund) pursuant to the Colleges-C Indenture.

"Colleges-C Site" means that parcel of land more particularly described in Exhibit A attached to and made a part of a Colleges-C Facility Lease and its corresponding Colleges-C Site Lease.

"Colleges-C Site Lease" means any lease of a Colleges-C Site, dated as of November 1, 1994, entered into between a College District as lessor and the Board as lessee, of a Colleges-C Facility, as originally executed and as it may from time to time be amended or supplemented pursuant to its terms and the terms of the Colleges-C Indenture. The term "Colleges-C Site Leases" means all such leases.

"Construction Fund" means the fund by that name established pursuant to the Master Indenture.

"Dated Date" means \_\_\_\_\_, 1997.

"Debt Service" means, with respect to the Colleges-C Bonds, for any period of time specified, the sum of (1) the interest (including any compound interest) payable on all Outstanding Bonds during such period, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking account payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms during such period, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid during such period (together with the redemption premium, if any, thereon).

"Deductible Amount" means, with respect to the Colleges-C Bonds, Five Hundred Thousand Dollars (\$500,000).

"Department" means any district, department, agency, board, commission or other entity of the State, including any local government units authorized under the Act, that are authorized to lease Facilities from the Board pursuant to the Act and have executed and delivered a Lease.

"Event of Default" means an event defined as such under the Master Indenture.

"Facility" means either a Project and a Site, as the case may be, as specified in a Supplemental Indenture or a project, site or equipment which is financed by any Incorporated Bonds.

"Facility Lease" means a lease of a Project and a Site entered into between the Board as lessor and a Department as lessee, as originally executed and as it may from time to time be amended or supplemented, as specified in a Supplemental Indenture.

"\_\_\_\_\_ Supplemental Indenture" means that \_\_\_\_\_ Supplemental Indenture, dated as of the Dated Date, between the Board and the State Treasurer, which is supplemental to the Master Indenture.

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Board as its Fiscal Year in accordance with applicable law.

"\_\_\_\_\_ Supplemental Indenture" means that \_\_\_\_\_ Supplemental Indenture, dated as of the Dated Date, between the Board and the State Treasurer, which is supplemental to the Master Indenture and the Fourth Supplemental Indenture, dated as of October 1, 1994, the Eleventh Supplemental Indenture dated as of September 1, 1996 and the Thirteenth Supplemental Indenture dated as of November 1, 1996, as originally executed.

"Governor" means the elected official holding the position of the governor of the State of California.

"Holder" or "Bondholder" means any person who shall be the registered owner of any Outstanding Bond.

"Incorporated Bonds" means any series of lease revenue bonds of the Board previously or hereafter issued other than pursuant to the Master Indenture, which the Board has elected to be secured by the Reserve Fund.

"Incorporated Indenture" means the indenture of trust pursuant to which any Incorporated Bonds were issued.

"Interest Account" means any account by that name established pursuant to the Master Indenture.

"Interest Payment Date" means, as long as any of the Bonds are Outstanding, the interest payment dates for each Series of Bonds as specified in the Supplemental Indenture therefor and which dates during each Fiscal Year are separated by a period of six months, and the interest payment dates for any Incorporated Bonds. With respect to the Colleges-C Bonds, "Interest Payment Date" means each March 1 and September 1.

"Interim Loan" means a loan from the Pooled Money Investment Board or the general fund of the State or other source of the State to the Board, the proceeds of which were applied to the acquisition, installation, or construction of a Facility.

"Lease" means a Facility Lease or facility lease securing any Incorporated Bonds.

"Legislature" means the legislature of the State of California.

"Liability Amount" means, with respect to the Colleges-C Bonds, Three Million Dollars (\$3,000,000).

"Locality" means (i) each campus of a Community College, at which a Facility is located; provided that any two campuses located within five miles shall be considered a single Locality; or (ii) for a Facility not located on a campus, the Locality means the area within a radius of five miles around the Facility.

"Maintenance and Operation Account" means any account by that name established pursuant to the Master Indenture.



"Master Indenture" means the Indenture, dated as of April 1, 1994, between the Board and the State Treasurer relating to the Board's Lease Revenue Bonds (Series I Projects), as originally executed including, where the context requires, as it has been or may be from time to time amended or supplemented by all Supplemental Indentures executed pursuant to its provisions, including the Tenth Supplemental Indenture dated as of September 1, 1996.

"Maximum Aggregate Semi-Annual Debt Service" means the aggregate sum of Semi-Annual Debt Service of Bonds and Incorporated Bonds that are Outstanding for that Semi-Annual Debt Service Period in which the aggregate sum is the largest, beginning with the then current Semi-Annual Debt Service Period and ending with the Semi-Annual Debt Service Period in which the last Bonds or Incorporated Bonds are Outstanding.

"Maximum Debt Service" means, for the period of time specified, the amount of Debt Service for the Colleges-C Bonds that are Outstanding for that period in which the amount of Debt Service is the largest.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Board and satisfactory to and approved by the State Treasurer (who shall be under no liability by reason of such approval).

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Master Indenture) all Bonds except --

- (1) Bonds theretofore cancelled by the State Treasurer or surrendered to the State Treasurer for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of the Master Indenture; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued, and delivered by the Board pursuant to the Master Indenture.

"Outstanding," when used with reference to any Incorporated Bonds, shall have the meaning set forth in the respective Incorporated Indenture.

"Permitted Investments" means any of the following which at the time are legal investments under the laws of the State for moneys held under the Master Indenture and then proposed to be invested therein:

- (i) bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest;
- (ii) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States;
- (iii) bonds of the State or bonds for which the faith and credit of the State are pledged for the payment of principal and interest;

(iv) bonds or warrants, including but not limited to revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the State, municipal utility district or school district of the State;

(v) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by general land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stocks, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended, and the bonds of any federal home loan bank established under said act, obligations of the Federal Home Loan Mortgage Corporation, and bonds, notes and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended;

(vi) commercial paper rated within the top rating designation by a nationally recognized rating service and issued by corporations (1) organized and operating within the United States, (2) having total assets in excess of \$500,000,000 and (3) approved by the Pooled Money Investment Board, provided, however that eligible commercial paper may not exceed 180 days' maturity, represent more than 10 percent of the outstanding paper of an issuing corporation nor exceed 30 percent of the resources of an investment program, and that at the request of the Pooled Money Investment Board, such investment shall be secured by the issuer by depositing with the State Treasurer securities authorized by Section 53651 of the California Government Code of a market value of at least 10 percent in excess of the amount of the State's investment;

(vii) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the top two rating categories by a nationally recognized rating service, otherwise known as banker's acceptances, which are eligible for purchase by the Federal Reserve System;

(viii) negotiable certificates of deposit issued by a nationally or state-chartered bank or savings and loan association or by a state-licensed branch of a foreign bank which, to the extent they are not insured by federal deposit insurance, are issued by an institution the general obligations of which are rated in one of the top two rating categories by a nationally recognized rating service;

(ix) bonds, debentures and notes issued by corporations organized and operating within the United States which securities are rated in one of the top two rating categories by a nationally recognized rating service;

(x) interest-bearing accounts in state or national banks or in state or federal savings and loan associations having principal offices in the State, the deposits of which shall be secured at all times and in the same manner as state moneys are by law required to be secured;

(xi) deposits in the Surplus Money Investment Fund referred to in Section 15487 of the California Government Code;

(xii) repurchase agreements or reverse repurchase agreements, as such terms are defined in and pursuant to the terms of Section 16480.4 of the California Government Code;

(xiii) collateralized or uncollateralized investment agreements or other contractual arrangements with corporations, financial institutions or national associations within the United States, provided that the senior long-term debt of such corporations, institutions or associations is rated within the top two rating categories by a Rating Agency;

(xiv) money market funds that invest solely in obligations described in clause (i) of this definition; or

(xv) such other investments as may be authorized by a Supplemental Indenture, provided each Rating Agency has confirmed that the use of such additional investments will not result in the reduction or withdrawal of any rating on any Outstanding Bonds.

"Principal Account" means any account by that name established pursuant to the Master Indenture.

"Prior Colleges-C Bonds" means the State Public Works Board of the State of California Lease Revenue Bonds (California Community Colleges) 1994 Series B (Various Community College Projects) which are outstanding from time to time.

"Project" means public buildings, structures, works, and related improvements which have been or will be acquired, installed, and constructed on a Site, and all additions, betterments, extensions, and improvements thereto, as specified in a Supplemental Indenture.

"Rating Agency" means each nationally recognized bond rating agency which is at any time providing a rating on any Series of Bonds.

"Rebate Fund" means the fund by that name established pursuant to the Master Indenture.

"Related Series of Bonds" means two or more Series of Bonds issued under the Master Indenture which finance the same Facility or Facilities, such that the Base Rental payments generated pursuant to the Lease(s) concerning such Facility or Facilities are the source of repayment of the several Related Series of Bonds and which are designated as Related Series of Bonds pursuant to a Supplemental Indenture.

"Rental Interruption Amount" means with respect to the Colleges-C Bonds, the annual base rental payable by the College District for a period of two consecutive years on all the Colleges-C Facilities.

"Reserve Fund" means the fund by that name established pursuant to the Master Indenture.

"Reserve Fund Credit Facility" means (1) a letter of credit, surety or other financial undertaking issued by a financial institution if the unsecured obligations of such financial institution have the same or higher rating than the Bonds as rated by each Rating Agency, or (2) a policy of insurance or surety bond issued by a municipal bond insurance company or similar entity, if the obligations insured by such insurance company or entity have the same or higher rating than the Bonds as rated by each Rating Agency, and, in either case, which has been delivered to the State Treasurer in accordance with the Master Indenture to satisfy all or a portion of the obligation to maintain the balance on deposit in the Reserve Fund in an amount equal to the Reserve Fund Requirement and is available to make payments with respect to all Outstanding Bonds and Incorporated Bonds, in accordance with its terms and the terms of the Master Indenture.

"Reserve Fund Requirement" means, as of any date of calculation, an amount equal to (A) the greatest of:

(1) the sum of the largest single payments of Semi-Annual Debt Service relating to the two Facilities with the largest single payment of Semi-Annual Debt Service remaining,

(2) the sum of the largest single remaining payments of Semi-Annual Debt Service attributable to all Facilities situated within that Locality in the State for which such sum is the largest,

(3) ten percent (10%) of Maximum Aggregate Semi-Annual Debt Service, or

(4) the largest payment(s) of Semi-Annual Debt Service remaining for any Interest Payment Date(s) coming due in any calendar month, plus

(B) an amount not to exceed one percent (1%) of the amount calculated under part (A) above, as determined by the State Treasurer at the time of issuance of any series of Bonds.

"Revenue Fund" means any fund by that name established pursuant to the Master Indenture.

"Semi-Annual Debt Service" means that portion of Annual Debt Service that is paid on any Interest Payment Date.

"Semi-Annual Debt Service Period" means each six-month period ending on June 30 or December 31, respectively, for so long as any Bonds or Incorporated Bonds are Outstanding.

"Series," whenever used herein in the context of a "Series of Bonds," means all of the bonds issued and designated under a Supplemental Indenture as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such bonds as herein provided.

"Series 1997C Colleges Bonds" or "1997C Colleges Bonds" means the State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) 1997 Series C (Various Community College Projects) in the initial aggregate principal amount of \_\_\_\_\_ Million Dollars (\$\_\_\_\_\_,000,000).

"Sinking Account" means a subaccount of the Principal Account by that name as provided for by the Master Indenture.

"Site" means that certain land that is described in an exhibit to a Facility Lease.

"State" means the State of California.

"State Treasurer" means the Treasurer of the State of California at his office in Sacramento, California, appointed by the Board and acting as an independent trustee and fiscal agent with the rights and obligations provided in the Master Indenture, and his successors and assigns, or any other association or corporation which may at any time be substituted in his place as provided in the Master Indenture.

"Supplemental Indenture" means any indenture then in full force and effect which has been duly executed and delivered by the Board and the State Treasurer amendatory of or supplemental to the Master Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Master Indenture.

"Surplus Account" means any account by that name established pursuant to the Master Indenture.

"Tax Certificate" means the tax certificate delivered by the Board at the time of the issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

### ***The Master Indenture***

The 1997C Colleges Bonds will be issued under the provisions of the Master Indenture. The provisions of the Master Indenture are briefly summarized herein.

### ***Pledge of the Revenues***

Pursuant to the Master Indenture, the Bonds of each Series are secured by a pledge of and charge and lien upon those certain Revenues and amounts on deposit in the funds and accounts established under the Master Indenture for such Series of Bonds or Related Series of Bonds (other than amounts on deposit in the Rebate Fund) and the Reserve Fund. All such moneys are irrevocably pledged to the payment of the principal of, interest on and redemption premiums, if any, on the Series of Bonds or Related Series of Bonds to which such Revenues and amounts relate. The pledge made in the Master Indenture shall constitute a first pledge of and charge and lien upon those certain Revenues (other than Revenues on deposit in the Rebate Fund) and shall constitute an equal pledge on the Reserve Fund along with all other Bonds and Incorporated Bonds Outstanding.

### ***Additional Bonds***

The Master Indenture provides that the Board may at any time issue a Series of Bonds payable from the Revenues for such Series as provided in the Master Indenture and secured by a pledge of and charge and lien upon such Revenues and upon the Reserve Fund as provided in the Master Indenture, but only subject to the following specific conditions, which are conditions precedent to the issuance of any Series of Bonds:

- (a) The Board shall be in compliance with all agreements and covenants contained in the Master Indenture.

(b) The issuance of such Series of Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Indenture which shall specify the following:

(1) the purpose for which such Series of Bonds are to be issued; provided that such Series of Bonds shall be applied solely for the purpose of (i) financing or refinancing the acquisition, installation and construction of any Facility or Facilities, (ii) financing or refinancing the completion of and/or acquisition, installation and construction of additions, betterments, extensions, or improvements to a Facility or Facilities which have previously been financed by the Board, (iii) refunding any Series of Bonds then Outstanding, (iv) payment of interest on any Series of Bonds during the period of construction or acquisition, (v) payment of all costs incidental to or connected with any financing described in (i), (ii) or (iii) above, and/or (vi) making deposits into the Reserve Fund;

(2) the authorized principal amount and designation of such Series of Bonds;

(3) the date and the maturity dates of and the sinking account payment dates, if any, for such Series of Bonds; provided that (i) all such Series of Bonds of like maturity shall be identical in all respects, except as to number and denomination, (ii) serial maturities for Series Bonds or sinking account payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Series of Bonds on or before their respective maturity dates;

(4) the Interest Payment Dates for such Series of Bonds; provided that the first interest payment date occurs not more than twelve months following the date of issuance of the Series of Bonds;

(5) the denomination or denominations of and method of numbering such Series of Bonds;

(6) the redemption premium, if any, and the redemption terms, if any, for such Series of Bonds;

(7) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the Interest Account therefor;

(8) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds or as a Reserve Fund Credit Facility in the Reserve Fund, which amount shall be the lesser of:

a. the amount needed to bring the Reserve Fund to an amount at least equal to the Reserve Fund Requirement, as calculated by including the Series of Bonds to be issued;

b. the maximum amount of proceeds of such Series of Bonds that may be used to fund the Reserve Fund, without violating any

law or regulations governing tax-exempt bonds (and without requirement to yield restrict the Reserve Fund), as set forth in an opinion of nationally recognized bond counsel on file with the State Treasurer;

(9) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the funds and account established under the Master Indenture;

(10) the forms of such Series of Bonds;

(11) if applicable, a determination that the newly issued Bonds will be a Related Series of Bonds which will be secured on a parity with a previously issued Series, sharing *pari passu* the Base Rentals derived from the Facility or Facilities which are common to the Related Series of Bonds; and

(12) such other provisions as are necessary or appropriate and not inconsistent with the Master Indenture.

(c) The Lease or Leases relating to such Series of Bonds shall provide that the Base Rental payable by the Department thereunder shall be in an amount at least sufficient to pay the Annual Debt Service on such Series of Bonds as the same become due. A certificate of the Board to the effect that such Base Rental is consistent with the fair rental value for the Facilities relating to such Series of Bonds shall be delivered to the State Treasurer to accompany each such Lease.

#### *Incorporated Bonds*

The Board may, by written request to the State Treasurer with a copy to each Rating Agency, provide that the Reserve Fund created in the Master Indenture shall also secure other issues of lease revenue bonds of the Board, which issues of Incorporated Bonds shall be specified in a certificate of the Board filed with the State Treasurer on such date. The Board shall at such time deposit funds or a Reserve Fund Credit Facility with the State Treasurer so that the Reserve Fund equals the greater of (i) the Reserve Fund Requirement (calculated after giving effect to the inclusion of the Incorporated Bonds), or (ii) the amount of the reserve account requirement under the respective Incorporated Indenture. Thereafter, all such Incorporated Bonds as so specified shall be secured by the Reserve Fund as and to the same extent as all Bonds issued under the Master Indenture. The Board shall not make any other issue of its bonds subject to the Reserve Fund if the amount to be on deposit in the Reserve Fund following implementation of the provisions of the Master Indenture relating to Incorporated Bonds will be less than the amount in the reserve account under the Incorporated Indenture immediately prior to such action.

In order to implement the provisions of the Master Indenture as to Incorporated Bonds, the Board shall in each instance deliver to the State Treasurer the following:

(1) A certificate of the Board identifying the issue of bonds to become Incorporated Bonds, and identifying the facilities and facility and equipment leases relating thereto; identifying the Reserve Fund Requirement which would be applicable once the Incorporated Bonds become subject to the benefit of the Reserve Fund, and stating the amount, if any, to be transferred from the reserve account for the Incorporated Bonds to the Reserve Fund;

(2) A copy of the Supplemental Indenture under the Incorporated Indenture providing for the Incorporated Bonds to become subject to the Reserve Fund; and

(3) Written evidence from each Rating Agency then rating the Bonds and the Incorporated Bonds that the implementation of this provision will not result in a reduction or withdrawal of the ratings on the Incorporated Bonds or on any Bonds Outstanding under the Master Indenture.

*Establishment of Funds and Accounts*

The following funds and accounts are established pursuant to the Master Indenture: (1) the Construction Fund, with a special account therein for each Series of Bonds as may be specified in the Supplemental Indenture for such Series; (2) the Revenue Fund established for each Series of Bonds, containing an Interest Account (including a Capitalized Interest Subaccount therein), a Principal Account, a Maintenance and Operation Account, and a Surplus Account; (3) the Reserve Fund; and (4) the Rebate Fund.

Construction Fund. The Master Indenture provides that the State Treasurer shall apply the moneys in the Construction Fund and any account therein in the manner specified in the Supplemental Indenture, including to repay Interim Loans and accrued interest thereon, and following such repayment, from time to time to pay (or to make reimbursement or cash advances to the Board, the Department or any other State agency, public agency or person, firm or corporation for such costs), the costs of the acquisition, construction, furnishing, equipping, financing, or refinancing of the Facilities, including payment of all costs incidental thereto or connected therewith, including, without limitation, planning, engineering, inspection, legal, State Treasurer's fees incidental thereto, and costs of issuance of the Bonds; such disbursements from the Construction Fund shall be upon claims attested to, for, or on behalf of the Board and duly prepared in accordance with the procedures prescribed by the State Controller. Any moneys remaining in any account in the Construction Fund upon the completion of the Facilities to which such account relates shall be applied by the State Treasurer to offset scheduled Base Rental or in such other manner as the Board may by written request direct.

Revenue Fund. All Revenues when and as received will be deposited in the State Treasury to the credit of the Revenue Fund for the Series of Bonds or Related Series of Bonds to which such Revenues relate (except for funds deposited in the Rebate Fund). The State Treasurer shall set aside all money in a Revenue Fund in the following special accounts within such Revenue Fund for the Series of Bonds to which such Revenue Fund relates:

(a) Interest Account. On or before the fifteenth day of the month next preceding each Interest Payment Date for such Series in each year, the State Treasurer will set aside from the Revenue Fund for such Series of Bonds and deposit in the Interest Account therefor that amount of money which, together with any money contained therein (including any amounts available in the Capitalized Interest Subaccount), is equal to the aggregate amount of interest becoming due and payable on such Series of Bonds on the next succeeding Interest Payment Date. No deposit need be made in the Interest Account if the amount contained therein (including amounts, if any, available in the Capitalized Interest Subaccount) is at least equal to the aggregate amount of interest becoming due and payable on such Series of Bonds on such Interest Payment Date.



All money in the Interest Account shall be used and withdrawn by the State Treasurer solely for the purpose of paying the interest on the Series of Bonds for which such Interest Account was established as it shall become due and payable (including accrued interest on any Bonds of such Series purchased or redeemed prior to maturity); provided that the State Treasurer, upon the written request of the Board and upon receipt of such documentation as he may require, shall withdraw from such Interest Account and pay to or upon order of the Board money sufficient to reimburse the Department for any Base Rental theretofore paid by the Department under the Lease or Leases relating to the Series of Bonds for which such Interest Account was established for that period of time during which the payment of Base Rental under such Lease or Leases is abated and for which no other money (including proceeds of the rental interruption or use and occupancy insurance required by the Master Indenture as supplemented by the appropriate Supplemental Indenture and money in the respective Principal Account and in the Reserve Fund and in the Maintenance and Operation Account and in the Surplus Account) is available.

With respect to each Series of Bonds for which proceeds of the sale thereof are required to be set aside to pay interest on the Bonds, the State Treasurer (if so instructed by the Supplemental Indenture providing for the issuance of such Series) shall establish and maintain a separate subaccount within the Interest Account, designated as a Capitalized Interest Subaccount. Moneys in a Capitalized Interest Subaccount shall be transferred by the State Treasurer and deposited in the Interest Account in the amounts and at the times specified in the Supplemental Indenture providing for the issuance of a Series of Bonds.

(b) Principal Account. For each Series of Bonds, on or before the fifteenth day of the month next preceding the scheduled principal payment date for any Serial Bonds of such Series in each year, the State Treasurer shall set aside from the Revenue Fund for such Series of Bonds and deposit in the Principal Account therefor an amount of money equal to the aggregate principal amount of all Outstanding Serial Bonds maturing on such principal payment date. In addition, on or before the fifteenth day of the month next preceding the scheduled sinking account payment date for any Term Bond of such Series in each year, the State Treasurer shall set aside from the Revenue Fund for such Series of Bonds and deposit in the Principal Account therefor an amount of money equal to the aggregate amount of all sinking account payments required to be made on such date into the respective sinking accounts for all Outstanding Term Bonds of such Series.

No deposit need be made in the Principal Account for any principal payment date if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds of such Series maturing by their terms on such principal payment date plus the aggregate amount of all sinking account payments required to be made during the year ending on such principal payment date for all Outstanding Term Bonds of such Series.

The State Treasurer shall establish and maintain within the Principal Account for each Series of Bonds a separate subaccount for the Term Bonds of such Series and maturity, with each such subaccount being designated a "Sinking Account." With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the State Treasurer shall apply the mandatory sinking account

payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the Series and the maturity for which such Sinking Account was established.

All money in the Principal Account shall be used and withdrawn by the State Treasurer solely for the purpose of paying the principal of the Series of Bonds for which such Principal Account was established as they shall become due and payable, except that any money in any Sinking Account shall be used and withdrawn by the State Treasurer only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created; provided that the State Treasurer, upon the written request of the Board and upon receipt of such documentation as he may require shall withdraw from such Principal Account and pay to or upon order of the Board money sufficient to reimburse the Department for any Base Rental theretofore paid by the Department under the Lease or Leases relating to the Series of Bonds for which such Principal Account was established for that period of time during which the payment of Base Rental under such Lease or Leases is abated and for which no other money (including proceeds of rental interruption or use and occupancy insurance required by the Master Indenture as supplemented by the appropriate Supplemental Indenture and money in the Reserve Fund and in the Maintenance and Operation Account and in the Surplus Account) is available.

(c) Reserve Fund. On or before December 1 of each year, the State Treasurer shall set aside from each of the Revenue Funds created under the Master Indenture or an Incorporated Indenture and deposit in the Reserve Fund that amount of money required to maintain the Reserve Fund in the full amount of the Reserve Fund Requirement or such larger amount as shall be required to be maintained in the Reserve Fund by any Supplemental Indenture.

Notwithstanding any other provision of the Master Indenture, the amount required to be on deposit in the Reserve Fund shall not be less than the amount of the reserve account requirement for any Series of Incorporated Bonds which has been transferred into the Reserve Fund. No deposit need be made in the Reserve Fund so long as there shall be on deposit therein a sum equal to at least the amount required by this paragraph to be on deposit therein. Notwithstanding the foregoing, there shall only be transferred to the Reserve Fund moneys from a Revenue Fund for a Series of Bonds or Incorporated Bonds if the State Treasurer had previously been required to make a transfer from the Reserve Fund to the Interest Account or Principal Account for that Series of Bonds. See "Reserve Fund" below.

(d) Maintenance and Operation Account. If at any time the Board shall operate any Facility, the State Treasurer, on or before May 15 and November 15 of each year, shall set aside from the Revenue Fund for the Series of Bonds used to finance the cost of such Facility, and deposit in the Maintenance and Operation Account all amounts which shall be estimated to be required to provide for all costs of maintenance and operation of such Facility during the next six months, including costs of repairs, replacements, labor costs and insurance; provided that no transfer shall be made to the Maintenance and Operation Account to the extent there would be insufficient funds in the Revenue Fund after such transfer to make the necessary deposits to the Interest Account or Principal Account for such Series of Bonds during the current Bond Year.

All money in the Maintenance and Operation Account shall be disbursed by the State Treasurer only to pay such costs upon the written request of the Board; provided that the State Treasurer upon the written request of the Department and upon receipt of such documentation as he may require, shall withdraw from the Maintenance and Operation Account and pay to the Department money sufficient to reimburse the Department for any Base Rental theretofore paid by the Department under the Lease or Leases relating to the Series of Bonds for such Lease which such Maintenance and Operation Account was established for a period of time during which the payment of Base Rental under such Lease or Leases is abated and for which no other money (including proceeds of rental interruption or use and occupancy insurance which may be provided under the Supplemental Indenture and money in the Surplus Account) is available.

(e) Surplus Account. The State Treasurer, on or before the second Business Day following the end of each Bond Year for any Series of Bonds, shall deposit in the Surplus Account all money remaining in the Revenue Fund to which such Surplus Account relates after making the deposits required by the Master Indenture to the Rebate Fund and as described in subsections (a), (b), (c) and (d) above. On the second Business Day following the end of each Bond Year, the State Treasurer, if the Board is not then in default under the Master Indenture and if the Department is not then in default under the Lease or Leases relating to the Series of Bonds for which such Surplus Account was established, shall disburse the money in the Surplus Account to or upon the order of the Board, unless (1) the State Treasurer has not received the Base Rental due and payable in such year from the Department for deposit to the Revenue Fund, or (2) the State Treasurer, in his discretion, shall determine that any money in the Surplus Account is or will be required for the payment of the principal of or interest on such Series of Bonds on any succeeding Interest Payment Date (assuming for the purposes of such determination that the Department shall pay when due all future payments of Base Rental required by such Lease or Leases), or (3) the State Treasurer, in his discretion, shall determine that any money in the Surplus Account is or will be necessary to fund the amounts on deposit in the Reserve Fund up to an amount equal to the Reserve Fund Requirement, in which event such money shall be held in the Surplus Account for such purpose.

The Master Indenture also provides that, upon the written request of the Board and upon receipt of such documentation as the State Treasurer requires, the State Treasurer shall withdraw from the Surplus Account and pay to or upon the order of the Board that amount of money sufficient to reimburse the Department for any Base Rental theretofore paid by the Department under a Lease or Leases relating to the Series of Bonds for which the Surplus Account is established for a period of time during which the payment of the Base Rental under such Lease or Leases is abated and for which no other moneys, including proceeds of rental interruption or use and occupancy insurance which may be provided under the Supplemental Indenture, is available.

#### *Reserve Fund*

All moneys in the Reserve Fund shall be used and withdrawn by the State Treasurer for the purposes of (a) replenishing, *first*, any Interest Account under the Master Indenture or under any Incorporated Indenture or, *second*, any Principal Account under the Master Indenture or under any Incorporated Indenture in the event of any deficiency at any time in such account or (b) paying the

principal of, redemption premium, if any, or interest on the Bonds of any Series or any Incorporated Bonds if no other money of the Board is lawfully available therefor (including upon acceleration of any Series of Bonds pursuant to the Master Indenture or acceleration of any Series of Incorporated Bonds pursuant to the respective Incorporated Indenture). If aggregate claims against the Reserve Fund payable on any day pursuant to the previous sentence exceed the amount then on deposit therein, then such amount in the Reserve Fund will be apportioned among each Series of Bonds (including Incorporated Bonds) in the proportion that the amount then on deposit in the Reserve Fund bears to the aggregate amount of all such claims for all such Series of Bonds (including Incorporated Bonds).

So long as the Board is not in default under the Master Indenture, any amount in the Reserve Fund in excess of the amount required to be on deposit therein may (but need not) be withdrawn from the Reserve Fund (in whole or in part) and deposited in any Revenue Fund or Construction Fund or any fund or account under an Incorporated Indenture, or otherwise disbursed, as directed by the Board; provided, that the State Treasurer, upon the written request of the Board and upon receipt of such documentation as he may require, shall withdraw from the Reserve Fund and pay to or upon order of the Board money sufficient to reimburse any Department for any Base Rental theretofore paid by such Department under a Lease or Leases for a period of time during which the payment of Base Rental under such Lease or Leases is abated and for which no other money (including proceeds of rental interruption or use and occupancy insurance provided under any Supplemental Indenture or Incorporated Indenture and money in the Maintenance and Operation Account and in the Surplus Account) is available.

On or before December 1 of each year or at any other time after there has been any use of moneys in the Reserve Fund pursuant to the Master Indenture or any Bonds have been defeased, the State Treasurer shall determine the value of all amounts on deposit in the Reserve Fund, by determining the value of all Permitted Investments at their amortized cost (plus any accrued interest) and the value of all Reserve Fund Credit Facilities at their face value. If the State Treasurer determines that the value of amounts then on deposit in the Reserve Fund are less than the Reserve Fund Requirement, the State Treasurer shall promptly provide a written notification to the Board. All amounts on deposit in the Reserve Fund shall be invested in Permitted Investments maturing at such times as the State Treasurer, in his sole discretion, shall deem appropriate. If the Board receives a written notification from the State Treasurer pursuant to the Master Indenture, the Board shall use its best efforts to take such actions as may be necessary or appropriate in order to increase the amount on deposit in the Reserve Fund to the Reserve Fund Requirement by not later than the December 1 in the year following the year of receipt of such written notification either through the deposit of a Reserve Fund Credit Facility or a portion of the proceeds of an additional Series of Bonds or from the application of other lawfully available funds of the Board, or any combination of the foregoing, provided that the Legislature is not required to make any appropriation for this purpose but may do so. Notwithstanding this paragraph, the Board shall not be required to provide for the financing of any facilities pursuant to the Master Indenture after the date of receipt of a notification pursuant to this paragraph if the Board determines that another method of financing is more appropriate or cost effective.

On December 1 of each year the Board shall deliver to the State Treasurer and to each Rating Agency a certificate of the Board identifying all the Facilities then covered by all the Bonds and Incorporated Bonds then Outstanding which are secured by the Reserve Fund, and demonstrating the appropriate Reserve Fund Requirement and stating whether, as of such date, the Reserve Fund Requirement is being maintained.

In lieu of making the Reserve Fund deposit in compliance with the Master Indenture, or in replacement of moneys then on deposit in the Reserve Fund (which shall be transferred by the

State Treasurer to any Revenue Fund as specified by written request of the Board), the Board may deliver to the State Treasurer a Reserve Fund Credit Facility securing an amount, plus moneys and Permitted Investments, on deposit in the Reserve Fund equal to the Reserve Fund Requirement. Such Reserve Fund Credit Facility shall have a term of no less than three years. At least one year prior to the stated expiration of a Reserve Fund Credit Facility, the Board shall deliver to the State Treasurer a replacement Reserve Fund Credit Facility. Upon delivery of a replacement Reserve Fund Credit Facility, the State Treasurer shall deliver the expiring Reserve Fund Credit Facility to or upon order of the Board. If the Board fails to deposit a replacement Reserve Fund Credit Facility with the State Treasurer, the Board shall immediately seek an appropriation or otherwise obtain lawfully available funds in order to make quarterly deposits with the State Treasurer so that an amount equal to the Reserve Fund Requirement is on deposit in the Reserve Fund no later than the stated expiration date of the Reserve Fund Credit Facility. If a drawing is made on the Reserve Fund Credit Facility, the Board shall make such payments as may be required by the terms of the Reserve Fund Credit Facility or any obligations related thereto (but no less than quarterly pro rata payments) so that the Reserve Fund Credit Facility shall, absent the deposit in the Reserve Fund of an amount sufficient to increase the balance in the Reserve Fund to the Reserve Fund Requirement, be reinstated in the amount of such drawing within one year of the date of such drawing.

#### *Investment of Money in Funds and Accounts*

Money in any fund or account established under the Master Indenture will be invested in Permitted Investments unless otherwise provided in a Supplemental Indenture. Subject to the provisions of the Master Indenture governing the Rebate Fund and any Supplemental Indenture, all interest or profits from the funds and accounts relating to a Series of Bonds and received prior to completion of the Facility or Facilities financed by such Series of Bonds may be deposited in the account for such Series within the Construction Fund (as specified in a written request of the Board) and thereafter all interest or profits will be deposited in the Revenue Fund for such Series of Bonds.

#### *Covenants of the Board*

The Master Indenture contains covenants of the Board with respect to the Bonds and the Facilities. Certain of these covenants follow. Reference is made to the full Master Indenture for a complete text of such covenants.

Punctual Payment and Performance. The Board will punctually pay the principal of, redemption premium, if any, and interest to become due on every Bond issued under the Master Indenture in strict conformity with the terms of the Master Indenture and of the Bonds, and will faithfully observe and perform all of the agreements and covenants contained in the Master Indenture and in the Bonds.

Against Encumbrances. The Board will not make any pledge of or place or permit to be placed any charge or lien upon any of the Facilities or any part thereof or upon the Revenues except as provided in the Master Indenture or in a Supplemental Indenture, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds and any Related Series of Bonds.

Against Sale or Other Disposition of the Facilities. The Board will not sell or otherwise dispose of any of the Facilities or any part thereof essential to their proper operation or the maintenance of the Revenues. The Board will not enter into any agreement which impairs the operation any of the Facilities or any part thereof necessary to secure adequate Revenues for the payment of the interest on,

principal of, and redemption premiums, if any, on any of the Bonds and any Related Series of Bonds, or which would otherwise impair the rights of the Holders with respect to the Revenues or the operation of the Facilities. Any real or personal property constituting part of a Facility which has become nonoperative or which is not needed for the efficient and proper operation of a Facility or any material or equipment constituting part of a Facility which has become worn out may be sold at not less than the market value thereof if such sale will not reduce the Revenues related to such Facility and if the net proceeds of such sale are treated as Revenues and applied in a manner provided in the Master Indenture.

**Tax Covenants, Rebate Fund.** The State Treasurer shall establish and maintain a fund separate from any other fund or account established and maintained under the Master Indenture designated as the Series I Rebate Fund (the "Rebate Fund"). The State Treasurer shall create within the Rebate Fund a separate account for each Series of Bonds issued under the Master Indenture. There shall be deposited in each such account of the Rebate Fund such amounts as are required to be deposited therein pursuant to the applicable Tax Certificate related to such Series of Bonds. All money at any time deposited in the Rebate Fund shall be held by the State Treasurer in trust to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate for each Series of Bonds), for payment to the United States of America and will not be pledged to payment of principal of or interest or redemption premium, if any, on any of the Bonds.

The Board and the State Treasurer shall not use or permit the use of any proceeds of the Bonds or any funds of the Board, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Internal Revenue Code (the "Code"). The Board and the State Treasurer specifically covenant to comply with the provisions and procedures of the Tax Certificates. If the Board shall provide to the State Treasurer an opinion of nationally recognized bond counsel to the effect that any specified action required under the Master Indenture is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds of any Series, the State Treasurer and the Board may conclusively rely on such opinion in complying with the requirements of the Master Indenture, and the covenants in the Master Indenture concerning compliance with the Code shall be deemed to be modified to that extent.

**Maintenance and Operation of the Facilities.** The Board will maintain and preserve or cause the Facilities to be maintained and preserved in good order, condition, and repair at all times and will operate or cause the Facilities to be operated in an efficient and economical manner as required by the Act.

**Insurance.** The following provisions shall apply only to Bonds issued pursuant to the Master Indenture and not to any Incorporated Bonds.

The Board will maintain or cause to be maintained all insurance coverage required under each Supplemental Indenture or each Lease. Each such policy of insurance shall be in form reasonably satisfactory to the Board and shall contain a clause making all losses payable to the Board, the State Treasurer, and the party providing such insurance, as their interests may appear, and all proceeds thereof shall be paid over to the party contractually responsible for making repairs of casualty damage or to the Board to redeem Bonds as provided in the Master Indenture.

Unless otherwise provided in a Supplemental Indenture, in the event of any damage to or destruction of a Facility caused by the perils covered by such insurance, the proceeds of such insurance shall be utilized, in the discretion of the Board either (i) to redeem the Outstanding Series of Bonds (to which the damaged Facility or Facilities relates) to the extent possible, but only if the Base

Rental due after such a redemption would be sufficient to pay the debt service on such Series of Bonds then remaining Outstanding in accordance with their terms, or (ii) to repair, reconstruct, or replace the Facility to the end that the Facility shall be restored to at least the same condition that it was in prior to such damage or destruction. If the Board so elects to repair, reconstruct, or replace the Facility, it shall do so with all practicable dispatch in an expeditious manner and in conformity with the law so as to complete the same as soon as possible. Any balance of such proceeds not required for such repair, reconstruction, or replacement shall be transferred to the Board and treated as Revenues and applied in the manner provided in the Master Indenture.

The Board will deliver or cause to be delivered to the State Treasurer during the month of July in each year a schedule, in such detail as the State Treasurer in his discretion may request, setting forth the insurance policies then in force pursuant to this provision and each Supplemental Indenture, the names of the insurers which have issued the policies, the amounts thereof, and the property and risks covered thereby. Each such insurance policy shall require that the State Treasurer be given thirty (30) days' notice of any intended cancellation thereof or reduction of the coverage provided thereby. Delivery to the State Treasurer of the schedule of insurance policies under these provisions shall not confer responsibility upon the State Treasurer as to the sufficiency of coverage or amounts of such policies. If so requested in writing by the State Treasurer, the Board shall also deliver or cause to be delivered to the State Treasurer duplicate originals or certified copies of each insurance policy described in such schedule.

Unless otherwise provided in a Supplemental Indenture, as an alternative to providing the public liability and property damage insurance required by a Supplemental Indenture, the Board may cause to be provided other kinds of insurance or methods or plans of protection if and to the extent such other kinds of insurance or methods or plans of protection shall afford reasonable protection to the Board and the State Treasurer and the officers, agents, and employees of each, in light of all circumstances giving consideration to cost, availability, and plans or methods of protection adopted by other governmental entities of and within the State.

Eminent Domain. If the whole or any portion of any Facility shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the proceeds therefrom shall be deposited with the State Treasurer in a special fund in trust and shall be applied and disbursed by the State Treasurer as follows:

(a) If less than the entire Facility shall have been so taken and the remainder is usable for purposes substantially similar to those for which it was constructed, and if the portion taken is replaced by a facility of equal or greater utility and of equal or greater fair rental value within or adjacent to such remainder, the State Treasurer shall disburse such proceeds to the party that incurred the expense of making such replacement; but if no such replacement is made, the State Treasurer shall apply such proceeds to redeem all or a portion of that Series of Bonds relating to such Facility pursuant to the Master Indenture and the Supplemental Indenture relating to such Series of Bonds.

(b) If less than the entire Facility shall have been so taken and the remainder is not usable for purposes substantially similar to those for which it was constructed, or if the entire Facility shall have been so taken, the State Treasurer shall apply such proceeds, together with any other money then available to him for such purpose, for the payment of the entire amount of principal then due or to become due upon all of that Series of Outstanding Bonds relating to such Facility, together with the interest thereon

so as to enable the Board to retire all of the Bonds then Outstanding by redemption or by payment at maturity; except that if such proceeds, together with any other money then lawfully available to it for such purpose, are insufficient to provide for the foregoing purpose, the State Treasurer shall apply such proceeds in accordance with the Master Indenture so far as the same may be applicable.

Notwithstanding the foregoing, the proceeds of eminent domain proceedings with respect to a Facility related to any Incorporated Bonds shall be governed by the provisions of the Incorporated Indenture, rather than the provisions set forth above.

#### *Amendments*

The Master Indenture and the rights and obligations of the Board and of the Holders of the Bonds of any Series may be amended at any time by a Supplemental Indenture. Such amendments will become binding when the written consent of the Holders of 60% in aggregate principal amount of the Bonds of such Series then Outstanding, exclusive of Bonds disqualified as provided in the Master Indenture, are filed with the State Treasurer. No such amendment shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Board to pay the interest on, principal of, or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided in the Master Indenture without the express written consent of the Holder of such Bond, or (2) permit the creation by the Board of any pledge of or charge or lien upon the Revenues or Reserve Fund as provided in the Master Indenture superior to or on a parity with the pledge, charge and lien created by the Master Indenture for the benefit of the Bonds of the affected Series, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the State Treasurer without his prior written assent thereto.

If any amendment shall not materially adversely affect the interest of the Holders and the holders of any Incorporated Bonds, then the Master Indenture and the rights and obligations of the Board and of the Holders may also be amended at any time by a Supplemental Indenture which shall become binding upon execution and delivery thereof without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving opinion of nationally recognized bond counsel and only for any one or more of the following purposes:

(a) to add to the agreements and covenants required in the Master Indenture to be performed by the Board other agreements thereafter to be performed by the Board, or to surrender any right or power reserved to or conferred on the Board in the Master Indenture;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of correcting, curing, or supplementing any defective provision contained in the Master Indenture or in regard to questions arising under the Master Indenture which the Board may deem desirable or necessary and not inconsistent with the Master Indenture;

(c) to provide for the issuance of any Series of Bonds and to provide the terms of such Series of Bonds and the funds and accounts therefor, subject to the conditions and upon compliance with the procedure set forth in the Master Indenture;

(d) to modify the book-entry provisions of the Master Indenture or to allow for a substitute depository;



(e) to facilitate the refunding or defeasance of any of the Bonds pursuant to the Master Indenture;

(f) to provide for compliance with any future laws or regulations concerning provision of financial information or other notices to Bondholders;

(g) to facilitate the obtaining of any insurance policy or letter of credit securing any Series of Bonds;

(h) to obtain or maintain a rating on any Series of Bonds from a Rating Agency;

(i) to modify, amend or supplement the Master Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions, and provisions as may be permitted by said act or similar federal statute;

(j) to provide any additional procedures, covenants, or agreements to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, including the amendment of any Tax Certificate; or

(k) to modify, amend, or supplement the Master Indenture to allow for the appointment of a successor trustee.

#### *Events of Default*

(a) Except as otherwise provided in a Supplemental Indenture, the following events shall be events of default under the Master Indenture with respect to a particular Series of Bonds:

(1) default in the due and punctual payment of the interest on any Bond of such Series when and as the same shall become due and payable; or

(2) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond of such Series when and as the same shall become due and payable, whether at maturity or by redemption;

(b) The following events shall be events of default with respect to all Outstanding Bonds:

(1) default by the Board in the performance of any of the other agreements or covenants required in the Master Indenture to be performed by the Board, and such default shall have continued for a period of 60 days after the Board shall have been given notice in writing of such default by the State Treasurer; or

(2) the filing by the Board of a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United State of America or any state therein, or the approval by a court of competent jurisdiction of a petition filed with or without

the consent of the Board seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or the assumption under the provisions of any other law for the relief or aid of debtors by any court of competent jurisdiction of custody or control of the Board or of the whole or any substantial part of its property.

#### *Acceleration of Maturities*

If an Event of Default has occurred and is continuing, the State Treasurer may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the affected Series of Bonds then Outstanding shall, by notice in writing to the Board, declare the principal of all Bonds of such Series then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable.

This provision, however, is subject to the following conditions: if, (i) at any time after the principal of the affected Series of Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered, and (ii) if each of the following conditions has occurred or will occur: (a) the Board shall deposit with the State Treasurer a sum sufficient to pay all matured interest on all the affected Series of Bonds and all principal of such Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable expenses of the State Treasurer, and (b) any and all other defaults known to the State Treasurer (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the State Treasurer or provision deemed by the State Treasurer to be adequate shall have been made therefor, then and in every such case the Holders of not less than 25% in aggregate principal amount of such affected Series of Bonds then Outstanding, by written notice to the Board and to the State Treasurer, may on behalf of the Holders of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

#### *Application of Funds Upon Acceleration*

All moneys in the accounts, subaccounts, and funds established under the Master Indenture that relate to such a Series of Bonds for which an event of default has occurred, and moneys available in the Reserve Fund, upon the date of the declaration of acceleration by the State Treasurer following an event of default and all Revenues relating to such Series of Bonds (other than Revenues on deposit in the Rebate Fund) thereafter received by the Board will be transmitted to the State Treasurer and will be applied by the State Treasurer in the following order:

*First*, to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants and counsel, and to the payment of the costs and expenses of the State Treasurer, if any, in carrying out the provisions of the Master Indenture, including reasonable compensation to his accountants and counsel; and

*Second*, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for the interest and principal, with interest on the

overdue interest and principal at the rate borne by such Bonds, and in case such money is insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal, and interest on overdue interest and principal without preference or priority among such interest, principal, and interest on overdue interest and principal ratably to the aggregate of such interest, principal, and interest on overdue interest and principal.

#### *Other Remedies of Holders*

Any Holder shall have the right for the equal benefit and protection of all Holders similarly situated:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his or his rights against the Board or any member, officer, or employee of the Board, and to compel the Board or any such member, officer, or employee to perform and carry out their duties under the Act and the agreements and covenants with the Holders contained in the Master Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(c) by suit in equity upon the happening of an event of default to require the Board and its members, officers, and employees to account as the trustee of an express trust.

#### *Remedies Not Exclusive*

No remedy in the Master Indenture conferred upon or reserved to the Holders or the State Treasurer is intended to be exclusive of any other remedy, and each such remedy is cumulative and is in addition to every other remedy given under the Master Indenture or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law, including the rights and remedies conferred pursuant to Section 15841 of the California Government Code.

#### *Defeasance*

If the Board shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds of any Series the principal of, interest on, and redemption premium, if any, on the Bonds at the times and in the manner provided in the Master Indenture and in the Bonds, then the Holders of the Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Master Indenture, and the agreements, covenants, and other obligations of the Board to the Holders of such Bonds under the Master Indenture will cease, terminate, and become void, discharged, and satisfied; provided however, that the following agreements, covenants, and obligations shall not be discharged and satisfied until such Bonds are paid in full: (i) the obligation of the State Treasurer to pay or cause to be paid to the Holders of the Bonds of such Series all sums due with respect to the Bonds of such Series from such moneys or investments that may have been set aside for such purposes in accordance with the Master Indenture; (ii) the obligation of the State Treasurer to register, transfer, and exchange Bonds pursuant to the Master Indenture; (iii) the obligation of the Board to pay the amounts owing to the State Treasurer under the Master Indenture; and (iv) the obligation of the Board to comply with the tax covenants contained in the Master Indenture. If the Board shall discharge the Bonds of any Series as provided above, the State Treasurer shall execute and deliver to

the Board all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the State Treasurer shall pay over or deliver to the Board all money or securities held by him pursuant to the Master Indenture which are not required for the payment of the interest on and principal of and redemption premium, if any, on the Bonds.

Any Outstanding Bonds of any Series shall, prior to the maturity date or redemption date thereof, be deemed to have been paid within the meaning of and with the effect expressed in the preceding paragraph if, in addition to other requirements, in the case of such Bonds to be redeemed prior to maturity, the Board shall have given to the State Treasurer irrevocable instructions to mail a notice of redemption of such Bonds and there shall have been deposited with the State Treasurer either (1) money in an amount which shall be sufficient and/or (2) Permitted Investments of the type described in clause (i) or clause (ii) of the definition of Permitted Investments and which are not subject to redemption prior to maturity except by the holder thereof (including any such Permitted Investments issued or held in book-entry form on the books of the Department of the U.S. Treasury) or tax-exempt securities rated AAA or its equivalent by a Rating Agency, the interest and principal of which when paid will provide money which, together with the money, if any, deposited with the State Treasurer at the same time, shall be sufficient, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premium, if any, on such Bonds.

*The \_\_\_\_\_ Supplemental Indenture*

The provisions of the \_\_\_\_\_ Supplemental Indenture (relating to the 1997C Colleges Bonds) are briefly summarized herein.

*Creation of Subaccounts*

Pursuant to the Colleges-C Indenture, there have been or will be created subaccounts relating to the Colleges-C Bonds in the following funds and accounts created under the Master Indenture: Construction Fund, Revenue Fund and its associated Interest Account, Capitalized Interest Subaccount, Principal Account, Maintenance and Operation Account, and Surplus Account, Rebate Fund and Escrow Fund.

*Pledge of Revenues for the Series 1997C Colleges Bonds*

The Series 1997C Colleges Bonds are secured by a pledge of and charge and lien upon the Colleges-C Revenues generated by the Colleges-C Facility Leases and amounts on deposit in the funds and accounts established under the Colleges-C Indenture or the indenture for a Related Series of Bonds (other than amounts on deposit in the Rebate Fund) and the Reserve Fund. All such moneys are irrevocably pledged to the payment of the principal of, interest on, and redemption premium, if any, on the Prior Colleges-C Bonds, the Series 1997C Colleges Bonds and any other Colleges-C Bonds. The pledge made in the Colleges-C Indenture shall constitute a first pledge of and charge and lien upon the Colleges-C Revenues, equally for the benefit of all Colleges-C Bonds Outstanding (other than Colleges-C Revenues on deposit in the Rebate Fund) and shall constitute an equal pledge on the Reserve Fund along with all other Bonds and Incorporated Bonds Outstanding.

*Insurance*

(a) The Board will maintain or cause to be maintained fire, lightning and extended coverage insurance on the Colleges-C Facilities in an amount equal to one hundred percent (100%) of

the then current replacement cost of the Colleges-C Facilities, excluding the then value of the Colleges-C Sites as unimproved (except that such insurance may be subject to deductible clauses of not to exceed the Deductible Amount for any one loss), and earthquake insurance (if, at the discretion of the Board, such insurance is available on the open market from reputable insurance companies at a reasonable cost) on any structure comprising part of the Colleges-C Facilities in an amount equal to the full insurable value of such structure or the principal amount of all outstanding Colleges-C Bonds, whichever is less (except that such insurance may be subject to a deductible clause of not to exceed the Deductible Amount for any one loss). The extended coverage endorsement shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, vandalism and malicious mischief, and such other hazards as are normally covered by such endorsement. Each such policy of insurance shall be in form reasonably satisfactory to the Board and the State Treasurer and shall contain a clause making all losses payable to the Board, the State Treasurer and the party providing such insurance, as their interests may appear, and all proceeds thereof shall be paid over to the party contractually responsible for making repairs of casualty damage or to the Board to redeem Colleges-C Bonds on a pro rata basis.

In the event of any damage to or destruction of a Colleges-C Facility caused by the perils covered by such insurance, the proceeds of such insurance shall be utilized, in the discretion of the Board, either (i) to redeem Outstanding Colleges-C Bonds on a pro rata basis, to the extent possible and in accordance with the provisions of the respective Indenture, but only if the Base Rental payments due after such redemption would be sufficient to retire the Colleges-C Bonds then outstanding in accordance with their terms, or (ii) to repair, reconstruct, or replace the damaged or destroyed Facility to the end that such Facility shall be restored to at least the same condition that it was in prior to such damage or destruction. If the Board so elects to repair, reconstruct, or replace the damaged or destroyed Facility, it shall do so with all practicable dispatch in an expeditious manner and in conformity with the law so as to complete the same as soon as possible. Any balance of such proceeds not required for such repair, reconstruction, or replacement shall be transferred to the Board and treated as Revenues and applied in the manner provided in the respective Indenture.

(b) The Board will maintain or cause to be maintained public liability insurance with limits of not less than the Liability Amount per occurrence for bodily injury and property damage combined to protect the College District, the Board, the State Treasurer and the officers, agents, and employees of each from all direct or contingent loss or liability for damages from bodily injury or death occasioned by reason of the construction, condition, or operation of the Colleges-C Facilities. The public liability insurance and property damage insurance may be subject to a deductible clause for any one occurrence of not to exceed the Deductible Amount. The insurance coverage required by this subsection may be effected by blanket policies covering the Colleges-C Facilities issued to the party contractually responsible for the maintenance and operation of such Facility.

As an alternative to providing the insurance required by this subsection (b), the Board may provide other kinds of insurance or methods or plans of protection if and to the extent such other kinds of insurance or methods or plans of protection shall afford reasonable protection to the College District, the Board, the State Treasurer and the officers, agents, and employees of each, in light of all circumstances giving consideration to cost, availability, and plans or methods of protection adopted by other governmental entities of and within the State.

(c) The Board will maintain or cause to be maintained rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any Colleges-C Facility as a result of any of the hazards covered by the insurance required by subsection (a) above in an amount to cover not less than the Rental Interruption Amount. Any such insurance policy shall be in form satisfactory to

the State Treasurer and shall contain a loss payable clause making any loss thereunder payable to the State Treasurer as its interests may appear. Any proceeds of such insurance shall be used by the State Treasurer to reimburse the College District for any rental theretofore paid by the College District under the respective Facility Lease for a period of time during which the payment of rental under such Facility Lease is abated, and any proceeds of such insurance not so used shall be applied as provided in the Colleges-C Indenture to the extent required to pay annual debt service on the respective Bonds, or shall be applied as provided in the Colleges-C Indenture to the extent required to pay administrative costs of the Board in connection with the Colleges-C Facilities.

(d) The Board will deliver or cause to be delivered to the State Treasurer in the month of July in each year a schedule, in such detail as the State Treasurer in his discretion may request, setting forth the insurance policies then in force pursuant to this section, the names of the insurers which have issued the policies, the amounts thereof, and the property and risks covered thereby. Each such insurance policy shall require that the State Treasurer be given thirty (30) days' notice of any intended cancellation thereof or reduction of the coverage provided thereby. Delivery to the State Treasurer of the schedule of insurance policies under the provisions of this section shall not confer responsibility upon the State Treasurer as to the sufficiency of coverage or amounts of such policies. If so requested in writing by the State Treasurer, the Board shall also deliver or cause to be delivered to the State Treasurer duplicate originals or certified copies of each insurance policy described in such schedule.

## **II. Provisions Relating to the Indentures for [the 1997B Colleges Bonds, the 1997D Colleges Bonds and the 1997E Colleges Bonds]**

Each of the series of Bonds listed above (referred to hereafter individually or collectively as the "Independent Bonds") is secured by a separate indenture (consisting of an original indenture and a supplemental indenture), the terms of which are substantially similar, and are described below. **Each series of Independent Bonds is separately secured, and the Revenues from one series of Independent Bonds are not available to pay any other series of Bonds.**

### ***Definitions***

The following terms, as used in each Indenture relating to a series of Independent Bonds, and in Part II of this Appendix C, have the meanings set forth below. To the extent applicable to a series of Independent Bonds, these terms are also used in Part III of this Appendix C. Each capitalized term not otherwise defined herein shall have the meanings set forth in the respective Indenture applicable to the series of Independent Bonds, as the context may require.

"Additional Rental" means all amounts received by the Board from a College District as additional rental payments pursuant to the Facility Leases to be used to pay all expenses of the Board and the State Treasurer in connection with the Facilities other than the payment of the interest on and principal of the related Bonds.

"Aggregate Principal Amount" means, with respect to Bonds Outstanding, the principal amount specified in the Original Indenture or in a Supplemental Indenture.

"Annual Debt Service" means, for any Fiscal Year, the sum of (1) the interest (including any compound interest) payable on all Outstanding Bonds in such Fiscal Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid

from the proceeds of sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Fiscal Year, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Fiscal Year (together with the redemption premiums, if any, thereon).

"Base Rental" means all amounts received by the Board from the College District as base rental payments pursuant to the Facility Leases to be used to pay the interest on and principal of the related Bonds.

"Bonds" means the Prior Bonds and all Additional Bonds. "Additional Bonds" means all lease revenue bonds of the Board authorized by and at any time Outstanding pursuant thereto and executed, issued and delivered in accordance with the Indenture, including, respectively, [the 1997B Colleges Bonds, the 1997D Colleges Bonds and the 1997E Colleges Bonds]. "Serial Bonds" means Bonds for which no sinking fund payments are provided. "Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Business Day" means a day of the year, excluding Saturday and Sunday, and any day on which either the State of California offices or banking institutions located in California are required or authorized to be closed.

"Dated Date" means \_\_\_\_\_, 1997.

"Debt Service" means, with respect to any series of Independent Bonds, for any period of time specified, the sum of (1) the interest (including any compound interest) payable on all Outstanding Bonds during such period, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking account payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms during such period, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid during such period (together with the redemption premium, if any, thereon).

"Deductible Amount" means in the case of the 1997B, 1997D and 1997E Colleges Bonds, Five Hundred Thousand Dollars (\$500,000).

"College District" means each Community College District which is a lessee under a Facility Lease relating to the 1997B, 1997D and 1997E Colleges Bonds, and as listed in Appendix B under the caption "The Financed Facilities - The 1997B Colleges Facilities," "- The 1997D Colleges Facilities" or "- The 1997E Colleges Facilities."

"Facility" or "Facilities" means the Projects and the Sites.

"Facility Lease" means any lease of the Projects entered into between the Board, as lessor and a College District, as lessee, and listed in Appendix B under the caption "The Financed Facilities - The 1997B Colleges Facilities," "- The 1997D Colleges Facilities" or "- The 1997E Colleges Facilities" hereto, respectively, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof. "Facility Leases" means all such leases related to a series of Independent Bonds.

"Holder" or "Bondholder" means any person who shall be the registered owner of any Outstanding Bond.

"Indenture" or "Original Indenture" means that Indenture between the Board and the State Treasurer, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions thereof, identified as follows: (i) with respect to the 1997B Colleges Bonds, the Indenture is dated as of August 1, 1991; (ii) with respect to the 1997D Colleges Bonds, the Indenture is dated as of December 1, 1992; and (iii) with respect to the 1997E Colleges Bonds, the Indenture is dated as of March 1, 1994.

"Interest Payment Date" means (i) with respect to the 1997B Colleges Bonds, September 1 and March 1; (ii) with respect to the 1997D Colleges Bonds, December 1 and June 1; and (iii) with respect to the 1997E Colleges Bonds, October 1 and April 1.

"Liability Amount" means (i) with respect to the 1997B Colleges Bonds, Two Million Dollars (\$2,000,000); (ii) with respect to the 1997D Colleges Bonds, Three Million Dollars (\$3,000,000); and (iii) with respect to the 1997E Colleges Bonds, Three Million Dollars (\$3,000,000).

"Outstanding," when used as of any particular time with reference to Bonds, means all Bonds except --

(1) Bonds theretofore cancelled by the State Treasurer or surrendered to the State Treasurer for cancellation;

(2) Bonds paid or deemed to have been paid as prescribed in the Indenture; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Board pursuant hereto.

"Maximum Annual Debt Service" means with respect to any series of Independent Bonds, the amount of Debt Service for any Fiscal Year for such series of bonds in which the amount of Debt Service is the largest.

"Permitted Investments" means any of the following which at the time are legal investments under the laws of the State of California for moneys held under the Indenture and then proposed to be invested therein: (i) bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest; (ii) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States; (iii) bonds of the State of California or bonds for which the faith and credit of the State of California are pledged for the payment of principal and interest; (iv) bonds or warrants, including but not limited to revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the State of California, municipal utility district or school district of the State of California; (v) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by general land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under



the National Housing Act, as amended, and the bonds of any federal home loan bank established under said act, obligations of the Federal Home Loan Mortgage Corporation, and bonds, notes and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended; (vi) commercial paper rated within the top rating designation by a nationally recognized rating agency and issued by corporations (1) organized and operating within the United States, (2) having total assets in excess of \$500,000,000 and (3) approved by the Pooled Money Investment Board, provided, however that eligible commercial paper may not exceed 180 days' maturity, represent more than 10% of the outstanding paper of an issuing corporation nor exceed 30% of the resources of an investment program, and that at the request of the Pooled Money Investment Board, such investment shall be secured by the issuer by depositing with the State Treasurer securities authorized by Section 53651 of the California Government Code of a market value of at least 10% in excess of the amount of the State's investment; (vii) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the top two rating categories by a nationally recognized rating agency, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System; (viii) negotiable certificates of deposit issued by a nationally or state-chartered bank or savings and loan association or by a state-licensed branch of a foreign bank which, to the extent they are not insured by federal deposit insurance are issued by an institution the general obligations of which are rated in one of the top two rating categories by a nationally recognized rating agency; (ix) bonds, debentures and notes issued by corporations organized and operating within the United States which securities are rated in one of the top two rating categories by a nationally recognized rating agency; (x) interest-bearing accounts in state or national banks or in state or federal savings and loan associations having principal offices in the State of California, the deposits of which shall be secured at all times and in the same manner as state moneys are by law required to be secured; (xi) deposits in the Surplus Money Investment Fund referred to in Section 15487 of the California Government Code; (xii) repurchase agreements or reverse repurchase agreements, as such terms are defined and pursuant to the terms of Section 16480.4 of the California Government Code; (xiii) collateralized or uncollateralized investment agreements or other contractual arrangements with corporations, financial institutions or national associations within the United States, provided that the senior long-term debt of such corporations, institutions or associations is rated within the top two rating categories by a nationally recognized rating agency, or (xiv) money market funds that invest solely in obligations described in clause (i) of this definition.

"Principal Payment Date" means, (i) with respect to the 1997B Colleges Bonds, September 1; (ii) with respect to the 1997D Colleges Bonds, December 1; and (iii) with respect to the 1997E Colleges Bonds, October 1.

"Prior Bonds" means (i) with respect to the 1997B Colleges Bonds, the State Public Works Board of the State of California Lease Revenue Bonds (California Community Colleges) 1991 Series A (Various Community College Projects); (ii) with respect to the 1997D Colleges Bonds, the State Public Works Board of the State of California Lease Revenue Bonds (California Community Colleges) Series 1992A; and (iii) with respect to the 1997E Colleges Bonds, the State Public Works Board of the State of California Lease Revenue Bonds (California Community Colleges) Series 1994A.

"Projects" means the buildings, structures and other facilities and related improvements to be acquired and constructed on the Sites, and all additions, betterments, extensions and improvements thereto, with respect to each series of Independent Bonds, as listed in Appendix B under the caption "The Colleges Facilities and Projects - The 1997B Colleges Facilities," "- The 1997D Colleges Facilities" and "- The 1997E Colleges Facilities" hereto.

"Rental Interruption Amount" means with respect to the 1997B, 1997D and 1997E Colleges Bonds, an amount not less than the amount of base rental due pursuant to all the Facility Leases for any period of two consecutive years.

"Reserve Account Requirement" means, with respect to the 1997D Colleges Bonds, Maximum Annual Debt Service.

"Reserve Fund" means the fund by that name established pursuant to the Master Indenture.

"Reserve Fund Requirement" means, with respect to the 1997E Colleges Bonds, as of any date of calculation, an amount equal to

(A) the greatest of:

(1) the sum of the largest single payments of Semi-Annual Debt Service relating to the two Facilities with the largest single payment of Semi-Annual Debt Service remaining,

(2) the sum of the largest single remaining payments of Semi-Annual Debt Service attributable to all Facilities situated within that Locality in the State for which such sum is the largest,

(3) ten percent (10%) of Maximum Aggregate Semi-Annual Debt Service, or

(4) the largest payment(s) of Semi-Annual Debt Service remaining for any Interest Payment Date(s) coming due in any calendar month, plus

(B) an amount not to exceed one percent (1%) of the amount calculated under part (A) above, as determined by the State Treasurer at the time of issuance of any series of Bonds.

"Revenues" means certain proceeds of a series of Independent Bonds deposited in the Interest Account, all Base Rental payments received by the Board pursuant to the Facility Leases and Equipment Leases related to such series of Bonds, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Board from the ownership, operation or use of the Facilities, including interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to the Indenture. Revenues related to one series of Independent Bonds do not secure any other series of Bonds.

"Series 1997B Colleges Bonds" or "1997B Colleges Bonds" means the State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) 1997 Series B (Various Community College Projects) in the initial aggregate principal amount of \_\_\_\_\_ Million Dollars (\$\_\_\_\_\_,000,000).

"Series 1997D Colleges Bonds" or "1997D Colleges Bonds" means the State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) 1997 Series D (Various Community College Projects) in the initial aggregate principal amount of \_\_\_\_\_ Million Dollars (\$\_\_\_\_\_,000,000).

"Series 1997E Colleges Bonds" or "1997E Corrections Bonds" means the State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) 1997 Series E (Various Community College Projects) in the initial aggregate principal amount of \_\_\_\_\_ Million Dollars (\$\_\_\_\_\_,000,000).

"Site" means those parcels of land more particularly described in Exhibit A attached to and made a part of each Site Lease. "Sites" means all such sites.

"Site Lease" means the agreement entered into by a College District, as lessor and the Board, as lessee for the lease of real property by the District to the Board, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof. "Site Leases" means all such leases.

"Supplemental Indenture" means (i) with respect to the 1997B Colleges Bonds, a First Supplemental Indenture dated as of September 1, 1996 and a Second Supplemental Indenture dated as of the Dated Date, which are supplemental to the Original Indenture in accordance with the terms thereof; (ii) with respect to the 1997D Colleges Bonds, the First Supplemental Indenture dated as of the Dated Date, which is supplemental to the Original Indenture in accordance with the terms thereof; and (iii) the 1997E Colleges Bonds, the First Supplemental Indenture dated as of the Dated Date, which is supplemental to the Original Indenture in accordance with the terms thereof.

"Tax Certificate" means the Tax Certificate, delivered by the Board at the time of the issuance and delivery of a series of Bonds, as the same may be amended or supplemented in accordance with its terms.

### ***The Original Indenture***

#### ***Pledge of the Indenture***

Pursuant to the Original Indenture, the Bonds of each series are secured by a pledge of and charge and lien upon those certain Revenues and amounts on deposit in the funds and accounts established under the Indenture for such series of Bonds (other than amounts on deposit in the Rebate Fund). All such moneys are irrevocably pledged to the payment of the principal of, interest on and redemption premiums, if any, on the series of Bonds to which such Revenues and amounts relate. The pledge made in the Indenture shall constitute a first pledge of and charge and lien upon those certain Revenues (other than Revenues on deposit in the Rebate Fund). **Each series of Independent Bonds is separately secured, and the Revenues from one series of Independent Bonds are not available to pay any other series of Bonds.**

#### ***Equal Security***

In consideration of the acceptance of the Bonds by the Holders, the Indenture will constitute a contract between the Board and the Holders from time to time of all Bonds to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds, subject to the agreements, conditions, covenants and provisions contained in the Indenture. All agreements and covenants to be performed by or on behalf of the Board will be for the equal and proportionate benefit, protection and security of all Holders of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds, except as expressly provided in the Indenture.

#### ***Additional Bonds***

The Board may at any time issue Additional Bonds payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues as provided in the Indenture equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued.

The Additional Bonds may be issued only for the purposes of financing the acquisition, installation and construction of additions, betterments, extensions or improvements to the Facilities, including payment of all costs incidental to or connected with such financing and/or refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding. Prior to issuance of Additional Bonds, the Lease or the Leases, as appropriate, shall have been amended so as to increase the Base Rental payable by the College District thereunder by an amount at least sufficient to pay the interest on and principal of such Additional Bonds as the same become due.

#### *Establishment of Funds and Accounts*

The following funds and accounts are established pursuant to the Indenture: (1) the Revenue Fund, containing an Interest Account, a Principal Account, a Reserve Account (except in the case of the 1997B Colleges Bonds), a Maintenance and Operation Account and a Surplus Account, (2) the Construction Fund and (3) the Rebate Fund. A separate Construction Fund shall be created for each Facility not yet completed.

The State Treasurer will apply the moneys in each Construction Fund from time to time to pay (or to make reimbursements or cash advances to the Board, the College District or any other State agency, public agency or person, firm or corporation for such costs) the costs of the acquisition, construction, financing and refinancing of the Project to which such Construction Fund relates, including payment of all costs incidental thereto or connected therewith, including, without limitation, planning, engineering and inspection. The disbursements from the Construction Fund shall be upon claims attested to, for, or on behalf of the Board and duly prepared in accordance with the procedures prescribed by the Controller of the State of California.

#### *Revenue Fund*

All Revenues when and as received will be deposited in the Revenue Fund.

On or before the Interest Payment Date in each year, the State Treasurer will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which, together with any money contained therein, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such interest payment date. No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such interest payment date.

On or before the Principal Payment Date in each year, the State Treasurer will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date into the respective sinking fund accounts for all Outstanding Term Bonds and the aggregate principal amount of all Outstanding Serial Bonds maturing on such Principal Payment Date. No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

*This paragraph applies only to the 1997D Colleges Bonds* On or before the Interest Payment Date in each year the State Treasurer will set aside from any remaining moneys in the Revenue Fund and deposit in the Reserve Account an amount required to maintain therein the full amount of Reserve Account Requirement or such larger amount as may be required to be maintained pursuant to

a supplemental indenture. Moneys in the Reserve Account may only be used to make up a shortfall in the Interest Account or the Principal Account prior to an Interest Payment Date. In lieu of making a Reserve Account deposit, or in replacement of moneys then on deposit in the Reserve Account, the Board may deliver to the State Treasurer a letter of credit or a surety bond meeting certain requirements set forth in the Indenture. Such requirements are substantially identical to the provisions for a "Reserve Fund Credit Facility" described in Part I of Appendix C under "The Master Indenture - Reserve Fund."

*This paragraph applies only to the 1997E Colleges Bonds.* The 1997E Colleges Bonds are Incorporated Bonds as defined in and as provided under the Master Indenture, as those terms are defined in Part I of this Appendix C. Accordingly, although a Reserve Account was created for the 1997E Colleges Bonds when they were originally issued, that Reserve Account has been transferred to the Reserve Fund under the Master Indenture (as defined and described in Part I), and such pooled Reserve Fund now secures the 1997E Colleges Bonds, along with all other bonds issued under or incorporated under the Master Indenture. On or before December 1 of each year, the State Treasurer will transfer from the Revenue Fund under the Indenture for the 1997E Colleges Bonds to the Reserve Fund under the Master Indenture any amount needed to maintain the balance in the Reserve Fund at least the Reserve Fund Requirement (as defined in Part I), but only to the extent that the State Treasurer withdrew moneys from the Reserve Fund in order to make a payment of debt service on the 1997E Colleges Bonds or any Prior Bonds or Additional Bonds secured by the 1997E Colleges Indenture. See Part I for further description of the Reserve Fund.

If at any time the Board shall operate the Facility, the State Treasurer, on or before the Interest Payment Date in each year, shall set aside from the Revenue Fund and deposit in the Maintenance and Operation Account all amounts which shall be estimated to be required to provide for the payment of all costs of maintenance and operation of the Facility during the next six months, including costs of repairs and replacements, labor costs and insurance.

The State Treasurer, on or before the Principal Payment Date in each year, shall deposit in the Surplus Account all money remaining in the Revenue Fund after the deposits required by the Indenture have been made. On the day after the Principal Payment Date in each year, if the Board is not in default under the Indenture and if the College District is not then in default under the Indenture and the Leases, the State Treasurer will disburse the money held in the Surplus Account as provided in the Indenture, unless the State Treasurer has not received the Base Rental due and payable on such date from the College District for deposit to the Revenue Fund or unless the State Treasurer, in its discretion, determines that such money is or will be required for the payment of principal of or interest on the Bonds on any succeeding interest payment date.

The Indenture also provides that, upon the written request of the College District to the State Treasurer, the State Treasurer shall withdraw from the Surplus Account, the Maintenance and Operation Account, the Principal Account or the Interest Account, in that order, and pay to the College District that amount of money sufficient to reimburse the College District for any Base Rental theretofore paid by the College District for a period of time during which the payment of Base Rental under the Leases is abated and for which no other moneys, including proceeds of rental interruption or use and occupancy insurance, is available.

### *Investment of Money in Funds and Accounts*

Money in any fund or account established under the Indenture will be invested in Permitted Investments. Subject to the provisions of the Indenture governing the Rebate Fund, all interest or profits received prior to completion of the Facilities will be deposited in the Construction Fund; thereafter all interest or profits will be deposited in the Revenue Fund.

### *Covenants of the Board*

Against Sale or Other Disposition of the Facilities. The Board will not sell or otherwise dispose of the Facilities or any part thereof essential to their proper operation or to the maintenance of the Revenues. The Board will not enter into any agreement which impairs the operation of the Facilities or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal of and redemption premiums, if any, on the Bonds, or which would otherwise impair the rights of the Holders with respect to the Revenues or the operation of the Facilities. Any real or personal property constituting part of the Facilities which has become non-operative or which is not needed for the efficient and proper operation of the Facilities or any material or equipment constituting part of the Facilities which has become worn out may be sold at not less than the market value thereof if such sale will not reduce the Revenues and if the net proceeds of such sale are treated as Revenues and applied in the manner provided in the Indenture.

Tax Covenants; Rebate Fund. The State Treasurer will establish and maintain a fund separate from any other fund or account established and maintained under the Indenture designated as the Rebate Fund. All money at any time deposited in the Rebate Fund will be held by the State Treasurer in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America and will not be pledged to payment of principal of or interest or redemption premium, if any, on the Bonds.

The Board and the State Treasurer shall not use or permit the use of any proceeds of the Bonds or any funds of the Board, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Internal Revenue Code (the "Code"). The Board and the State Treasurer specifically covenant to comply with the provisions and procedures of the Tax Certificate. If the Board shall provide to the State Treasurer an opinion of nationally recognized bond counsel to the effect that any specified action required under the Indenture is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the State Treasurer and the Board may conclusively rely on such opinion in complying with the requirements of the Indenture, and the covenants in the Indenture concerning compliance with the Code shall be deemed to be modified to that extent.

Maintenance and Operation of the Facilities. The Board will maintain and preserve or cause to be maintained and preserved the Facilities in good order, condition and repair at all times and will operate or cause the Facilities to be operated in an efficient and economical manner as fully equipped and operational facilities for higher education.

Against Encumbrances. The Board will not make any pledge of or place any charge or lien upon the Facilities or any part thereof or upon the Revenues except as provided in the Indenture, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

### Insurance.

(a) The Board will maintain or cause to be maintained fire, lightning and extended coverage insurance on their respective Facilities in an amount equal to one hundred percent (100%) of the then-current replacement cost of the Facilities (or, if less, the aggregate amount of Base Rental remaining unpaid under the Facility Leases), excluding the then value of the land as unimproved (except that such insurance may be subject to deductible clauses of not to exceed the Deductible Amount for any one loss), and earthquake insurance (if available on the open market from reputable insurance companies at a reasonable cost) on any personal property or equipment or structure comprising part of the Facilities in an amount equal to the full insurable value of such personal property or equipment or structure or the aggregate amount of whichever is less (except that such insurance may be subject to a deductible clause of not to exceed the Deductible Amount for any one loss). The extended coverage endorsement shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, vandalism and malicious mischief and such other hazards as are normally covered by such endorsement. Each such policy of insurance shall be in form reasonably satisfactory to the Board and shall contain a clause making all losses payable to the Board, the State Treasurer and the party providing such insurance, as their interests may appear, and all proceeds thereof shall be paid over to the party contractually responsible for making repairs of casualty damage or to the Board to redeem Bonds as described below.

In the event of any damage to or destruction of the Facilities caused by the perils covered by such insurance, the proceeds of such insurance shall be utilized, in the discretion of the Board either (i) to redeem Outstanding Bonds to the extent possible, but only if the Base Rental payments due after such a redemption would be sufficient to retire the Bonds then Outstanding in accordance with their terms, or (ii) for the repair, reconstruction or replacement of the Facilities to the end that the Facilities shall be restored to at least the same condition that they were in prior to such damage or destruction. If the Board so elects to repair, reconstruct or replace the Facilities, it shall do so with all practicable dispatch in an expeditious manner and in conformity with the law so as to complete the same as soon as possible. Any balance of such proceeds not required for such repair, reconstruction or replacement shall be transferred to the Board and treated as Revenues and applied in the manner provided in the Indenture.

(b) The Board will maintain or cause to be maintained public liability insurance with limits of not less than the Liability Amount per occurrence for bodily injury and property damage liability combined to protect the Board and its members, officers and employees and the State Treasurer from all direct or contingent loss or liability for damages from bodily injury or death occasioned by reason of the construction, condition or operation of the Facilities. The public liability insurance and property damage insurance may be subject to a deductible clause for any one occurrence of not to exceed the Deductible Amount. The insurance coverage required under this paragraph may be effected by blanket policies covering the Facilities issued to the party contractually responsible for the maintenance and operation of the Facilities.

As an alternative to providing the insurance required by paragraph (b) above, the Board may cause to be provided other kinds of insurance or methods or plans of protection if and to the extent such other kinds of insurance or methods or plans of protection shall afford reasonable protection to the Board and the State Treasurer and the officers, agents and employees of each, in light of all circumstances giving consideration to cost, availability and plans or methods of protection adopted by other governmental entities of and within the State of California.

(c) The Board will maintain or cause to be maintained rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of each of the Facilities as a result of any of the hazards covered by the insurance required by paragraph (a) above of this section in an amount not less than the Rental Interruption Amount. Any such insurance policy shall be in form satisfactory to the State Treasurer and shall contain a loss payable clause making any loss thereunder payable to the State Treasurer as its interests may appear. Any proceeds of such insurance shall be used by the State Treasurer to reimburse the College District for any rental theretofore paid by the College District under a Facility Lease for a period of time during which the payment of rental under such Facility Lease is abated, and any proceeds of such insurance not so used shall be applied as provided in the Indenture (to the extent required to pay Annual Debt Service on the Bonds).

Eminent Domain. If the whole or any portion of each of the Facilities shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the proceeds therefrom shall be deposited with the State Treasurer in a special fund in trust and shall be applied and disbursed by the State Treasurer as follows:

(a) If less than the entire such Facility shall have been so taken and the remainder is usable as a facility for purposes substantially similar to those for which it was constructed, and if the portion taken is replaced by a facility of equal or greater utility within or adjacent to such remainder, the State Treasurer shall disburse such proceeds to the party that incurred the expense of making such replacement; but if no such replacement is made, the State Treasurer shall apply such proceeds to redeem Bonds in part pursuant to the Indenture.

(b) If less than the entire such Facility shall have been so taken and the remainder is not usable as facility for purposes substantially similar to those for which it was constructed, or if the entire Facility shall have been so taken, the State Treasurer shall apply such proceeds to redeem Bonds in part pursuant to the Indenture.

(c) If all of the Facilities shall have been so taken, the State Treasurer shall apply such proceeds, together with any other money then available to it for such purpose, for the payment of the entire amount of principal then due or to become due upon all Outstanding Bonds, together with the interest thereon so as to enable the Board to retire all of the Bonds then Outstanding by redemption or by payment at maturity; except that if such proceeds, together with any other money, then lawfully available to it for such purpose, are insufficient to provide for the foregoing purpose, the State Treasurer shall apply such proceeds in accordance with the Indenture.

#### *Events of Default and Remedies*

Each of the following constitutes an "Event of Default" under the Indenture:

(1) default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(2) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity or by redemption;

(3) default by the Board in the performance of any of the other agreements or covenants required in the Indenture to be performed by the Board, and such default shall have continued



for a period of 60 days after the Board shall have been given notice in writing of such default by the State Treasurer; or

(4) the filing by the Board of a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or the approval by a court of competent jurisdiction of a petition filed with or without the consent of the Board seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or the assumption under the provisions of any other law for the relief or aid of debtors by any court of competent jurisdiction of custody or control of the Board or of the whole or any substantial part of its property.

If an Event of Default has occurred and is continuing, the State Treasurer may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, by notice in writing to the Board, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable.

This provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Board will deposit with the State Treasurer a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable expenses of the State Treasurer, and any and all other defaults known to the State Treasurer (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the State Treasurer or provision deemed by the State Treasurer to be adequate have been made therefore, then and in every such case the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding, by written notice to the Board and to the State Treasurer, may on behalf of the Holders of all the Bonds then Outstanding, rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

#### *Application of Funds Upon Acceleration*

All moneys in the accounts and funds established under the Indenture upon the date of the declaration of acceleration by the State Treasurer following an Event of Default and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Board will be transmitted to the State Treasurer and will be applied by the State Treasurer in the following order—

*First*, to the payment of the costs and expenses of the Holders in providing for the declaration of such Event of Default, including reasonable compensation to their accountants and counsel, and to the payment of the costs and expenses of the State Treasurer, if any, in carrying out the provisions of the Indenture, including reasonable compensation to its accountants and counsel; and

*Second*, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for the interest and principal, with interest on the overdue interest and principal at the rate borne by such Bonds. If such money is insufficient to pay in full the whole amount so

owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

#### *Other Remedies of Holders*

Any Holder shall have the right for the equal benefit and protection of all Holders similarly situated:

(1) by mandamus or other suit or proceeding at law or in equity to enforce that Holder's rights against the Board or any member, officer or employee of the Board, and to compel the Board or any such member, officer or employee to perform and carry out their duties under the Act and the agreements and covenants with the Holders contained in the Indenture;

(2) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(3) by suit in equity upon the happening of an Event of Default to require the Board and its members, officers and employees to account as the trustee of an express trust.

#### *Remedies Not Exclusive*

No remedy in the Indenture conferred upon or reserved to the Holders is intended to be exclusive of any remedy, and each such remedy is cumulative and is in addition to every other remedy existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

#### *Defeasance*

The Holders of the Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Indenture, and all agreements, covenants and other obligations of the Board to the Holders will cease, terminate and become void if the Board shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the principal of and interest on and redemption premiums, if any, on the Bonds at the times and in the manner provided in the Indenture. Any Outstanding Bonds will, prior to the maturity date or redemption date thereof, be deemed to have been paid if, in addition to other requirements, there shall have been deposited with the State Treasurer sufficient money and/or tax-exempt securities rated AAA or its equivalent by a nationally recognized rating agency, the principal of and interest on which when paid will be sufficient to pay the principal of and redemption premiums, if any, and interest due on the Bonds at redemption or maturity, or, sufficient money and/or Permitted Investments of the type described in clause (i) or clause (ii) of the definition of Permitted Investments and which are not subject to redemption prior to maturity except by the holder thereof, the principal of and interest on which when paid will be sufficient to pay the principal of, redemption premiums, if any, and interest on the Bonds at redemption or maturity.

### *Amendments*

The Indenture and the rights and obligations of the Board and of the Holders may be amended at any time by a Supplemental Indenture which will become binding with the written consent of the Holders of 60% in aggregate principal amount of the Bonds then Outstanding. No such amendment, shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Board to pay the interest on or principal of or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided in the Indenture without the express written consent of the Holder of such Bond, or (2) permit the creation by the Board of any pledge of or charge or lien upon the Revenues superior to or on a parity with the pledge, charge and lien created by the Indenture for the benefit of the Bond, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the State Treasurer without its prior written assent thereto.

The Indenture and the rights and obligations of the Board and of the Holders, may also be amended at any time by a Supplemental Indenture which shall become binding upon execution and delivery thereof without the consent of any Holders but only to the extent permitted by law and after receipt of an approving opinion of counsel and only for any one or more of the following purposes:

(a) to add agreements and covenants to be performed by the Board which shall not materially adversely affect the interests of the Holders, or to surrender any right or power reserved to or conferred on the Board;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the Board may deem desirable or necessary and not inconsistent with the Indenture and which shall not materially adversely affect the interests of the Holders; or

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in Article III of the Indenture.

### *The Supplemental Indentures*

The Supplemental Indentures for each series of Independent Bonds are substantially similar. The provisions of each Supplemental Indenture are briefly summarized herein.

### *Pledge of the Revenues*

Each series of Prior Bonds and the Independent Bonds corresponding thereto are equally and ratably secured by a pledge of and charge and lien upon the Revenues relating to such Bonds and amounts on deposit in the funds and accounts established under the respective Indenture (other than amounts on deposit in the Rebate Fund). All such moneys are irrevocably pledged to the payment of the principal of, interest on and redemption premium, if any, on the respective Prior Bonds and the related Independent Bonds. The pledge made in the respective Indenture shall constitute a first pledge of and charge and lien upon the related Revenues (other than Revenues on deposit in the Rebate Fund). **The Revenues related to any series of Independent Bonds do not secure any other series of Bonds.**

### *Tax Covenants*

The Board and the State Treasurer will covenant not to take any action or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on any series of Independent Bonds under Section 103 of the Internal Revenue Code of 1986. The Board and the State Treasurer also covenant to comply with the provisions and procedures of the Tax Certificate.

### **III. Provisions Relating to Legal Documents for All Series of Bonds**

#### *Definitions*

The following terms are used in this Part III of Appendix C, in addition to certain terms which have been defined under Part I and Part II.

"Extended Termination Date" means (i) with respect to the 1997B Colleges Bonds, September 20\_\_, (ii) with respect to the 1997D Colleges Bonds, December 1, 20\_\_, and (iii) with respect to the 1997E Colleges Bonds, October 1, 20\_\_.

"Termination Date" means (i) with respect to the 1997B Colleges Bonds, September 1, 20\_\_, (ii) with respect to the 1997D Colleges Bonds, December 1, 20\_\_ and (iii) with respect to the 1997E Colleges Bonds, October 1, 20\_\_.

#### *The Facility Leases*

Each Facility Lease provides for the lease of a facility to a College District from the Board. The terms of all the Facility Leases are substantially similar. Certain provisions of that lease are briefly summarized herein.

#### *Term*

The term of each Facility Lease has commenced, and shall end on the Termination Date; provided, however, that if prior to the Termination Date, each series of the related Bonds shall have been fully paid and retired, then the term will end simultaneously therewith. If on the Termination Date each series of related Bonds have not been fully paid and retired, or if the rental payable under the Facility Lease shall have been abated, then the term will be extended until each series of Bonds has been fully paid and retired, but in no event beyond the Extended Termination Date.

#### *Rental Payments*

Base Rental (All Series Except 1997B Colleges Bonds) - The College District agrees to pay to the Board, without deduction or offset of any kind, as rental for the use and occupancy of the Facility, the following amounts at the following times:

In order to pay the principal of and interest on each series of related Bonds, the College District shall pay to the Board Base Rental in such semiannual amounts as are set forth in Schedule I attached to the Facility Lease. Such Base Rental shall be due and payable on or before the 15th day before the Interest Payment Date in each year up to the 15th day before the Termination Date. Initially, payments of interest on the Bonds will be made from the Capitalized Interest Account to the extent that moneys are available therein, and thereafter such payments will be made by the College District. The

two installments of Base Rental due and payable in each year shall be for the use and occupancy of the Facility for the one-year period ending on the Principal Payment Date following each such year, provided that the initial payment or payments of Base Rental may be prorated for use and occupancy of the Facility for the portion of a Bond Year after capitalized interest is fully used.

Base Rental (1997B Colleges Bonds Only) - Each College District participating in the 1997B Colleges Bonds agrees to pay to the Board, without deduction or offset of any kind, as rental for the use and occupancy of the Facility, the following amounts at the following times:

In order to pay the principal of and interest on the 1997B Colleges Bonds, the College District shall pay to the Board Base Rental in such amounts as are set forth in Schedule I attached to the Facility Lease. Such Base Rental shall be due and payable on or before September 2 in each year up to September 2, [2010]. The Base Rental so due and payable in each year shall be for the use and occupancy of the respective Facility for the succeeding twelve-month period.

Additional Rental - Under the Facility Lease, the College District also agrees to pay to the Board, without deduction or offset of any kind, as rental for the use and occupancy of the Facility, the following amounts:

The College District shall pay to or upon the order of the Board as Additional Rental such reasonable amounts in each year as shall be required by the Board for the payment of all administrative costs and other expenses of the Board in connection with the Facility, including all expenses, compensation, and indemnification of the State Treasurer payable by the Board under the Master Indenture, amounts required to be rebated to the United States government pursuant to the Master Indenture, fees of accountants, fees of the Attorney General or attorneys, litigation costs, insurance premiums, and all other necessary costs of the Board or charges required to be paid by it in order to comply with the terms of the Act or of the Indenture or of the Series Bonds.

Total Rental - Such payments of Base Rental and Additional Rental for each rental payment period will constitute the total rental for such rental payment period, and will be paid by the College District in each rental payment period for and in consideration of the right to the use and occupancy and the continued quiet enjoyment of the Facility during each such rental payment period for which such rental is paid. The Board and the College District have agreed and determined that such total rental represents the fair rental value of the Facility. Any installment of rental accruing under the Facility Lease which shall not be paid when due will bear interest at the legal rate of interest per annum at which judgments for money in the State bear interest from the date when the same is due until the same shall be paid. Notwithstanding any dispute between the Board and the College District, the College District shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute. The College District's rental will be abated proportionately, equally and ratably as to each series of Bonds, during any period in which, by reason of any damage or destruction, there is substantial interference with the use and occupancy of the Facility or any portion thereof.

The College District covenants to take such action as may be necessary to include all such rental payments in its annual budget (and that portion of the budget of the State related to the College District) and to make the necessary annual allocations for all such rental payments. The College District will furnish to the Board and the State Treasurer copies of the annual budget of the College District (and that portion of the budget of the State related to the College District) that contains the appropriation to pay rent under the Facility Lease, within ten (10) days after the Governor submits his budget to the Legislature. The College District further covenants to take all actions necessary and

appropriate to implement the procedure contained in California Government Code Section 15848 for making rental payments under this lease if the required rental payments have not been included in the annual budget adopted by the State or the State is operating without a budget. The covenants on the part of the College District contained in the Facility Lease shall be deemed to be and shall be construed to be duties imposed by law, and it shall be the duty of each and every public official of the College District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the College District to carry out and perform the agreements and covenants in the Facility Lease agreed to be carried out and performed by the College District.

In addition to the foregoing provisions contained in each Facility Lease, each Facility Lease entered into by a College District also contains an authorization pursuant to California Government Code Section 15820.60(e) (which authorization has precedence over other expenditure obligations of the College District) to the Chancellor of the California Community Colleges and the State Controller to withhold from the College District's annual apportionment an amount equal to its annual rental, including the withholding of the additional apportionment amount and the amount determined to be the College District's proportional share of the rental payments, as determined by the Chancellor of the California Community Colleges pursuant to Government Code Section 15820.60(d).

#### *Insurance*

The College District is required to maintain or cause to be maintained insurance as set forth in this Appendix C under the captions "Provisions Relating to the Indentures for the 1997C Colleges Bonds - The \_\_\_\_\_ Supplemental Indenture -- Covenants of the Board - Insurance" and "Provisions Relating to the Indentures for [the 1997B Colleges Bonds, the 1997D Colleges Bonds and the 1997E Colleges Bonds] - The Original Indenture - Covenants of the Board - Insurance."

#### *Default*

The College District shall be in "default" under the Facility Lease if any of the following occur:

(a) failure timely to pay any Base Rental or Additional Rental payable under the Facility Lease when the same becomes due and payable; or

(b) failure to keep, observe, or perform any other term, covenant, or condition contained in the Facility Lease for a period of sixty (60) days after notice of the same has been given to the College District by the Board or the State Treasurer plus such additional time as may be reasonably required, in the sole discretion of the State Treasurer, to correct any of the same; or

(c) assignment, sublease, or transfer of any of the College District's interest in the Facility Lease without the written consent of the Board, either voluntarily or by operation of law; or

(d) certain events of bankruptcy, insolvency, reorganization, or receivership of the College District; or

(e) abandonment of the Facility by the College District.

Upon any such default, the Board, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(a) To terminate the Facility Lease in the manner hereinafter provided on account of default by the College District, notwithstanding any re-entry or re-letting of the Facility as hereinafter provided for in subparagraph (b) hereof, and to re-enter the Facility and remove all persons in possession thereof and all personal property whatsoever situated upon the Facility and place such personal property in storage in any warehouse or other suitable place. In the event of such termination, the College District agrees to immediately surrender possession of the Facility, without let or hindrance, and to pay the Board all damages recoverable at law that the Board may incur by reason of default by the College District, including, without limitation, any costs, loss, or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Facility and removal and storage of such property by the Board or its duly authorized agents in accordance with the provisions contained in the Facility Lease. Neither notice to pay rent or to deliver up possession of the Facility given pursuant to law nor any entry or re-entry by the Board nor any proceeding in unlawful detainer, or otherwise, brought by the Board for the purpose of effecting such re-entry or obtaining possession of the Facility nor the appointment of a receiver upon initiative of the Board to protect the Board's interest shall of themselves operate to terminate the Facility Lease, and no termination of the Facility Lease on account of default by the College District shall be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Board shall have given written notice to the College District of the election on the part of the Board to terminate the Facility Lease. The College District covenants and agrees that no surrender of the Facility or of the remainder of the term thereof nor any termination of the Facility Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Board by such written notice.

(b) Without terminating the Facility Lease, (1) to collect each installment of rent as it becomes due and enforce any other term or provision thereof to be kept or performed by the College District or (2) to exercise any and all rights of entry and re-entry upon the Facility and to re-let the Facility on any terms at the Board's discretion. If the Board does not elect to terminate the Facility Lease in the manner provided for in subparagraph (a) hereof, the College District shall remain liable and agrees to keep or perform all of its covenants and conditions contained in the Facility Lease, and, if the Facility is not re-let, to pay the full amount of the rent to the end of the term of this lease or, if the Facility is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in its Facility Lease for the payment of rent thereunder, notwithstanding the fact that the Board may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Facility Lease, and notwithstanding any entry or re-entry by the Board or suit in unlawful detainer, or otherwise, brought by the Board for the purpose of effecting such re-entry or obtaining possession of the Facility. Should the Board elect to re-enter as provided in the Facility Lease, the College District irrevocably appoints the Board as the agent and attorney-in-fact of the College District to re-let the Facility, or any part thereof, from time to time, either in the Board's name or otherwise, upon such terms and conditions and for such use and period as the Board may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Facility and to place such personal property in storage in any warehouse or other suitable place for the College District, for the account of and at the expense of the College District, and the College District exempts and agrees to save harmless the Board from any costs, loss, or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Facility and removal and storage of such property by the Board or its duly authorized agents in accordance with the provisions contained in the Facility Lease, except for any such costs, loss, or damage resulting from the intentional

or negligent actions of the Board or of its agents. The College District agrees that the terms of the Facility Lease constitute full and sufficient notice of the right of the Board to re-let the Facility in the event of such re-entry without effecting a surrender of such lease, and further agrees that no acts of the Board in effecting such re-letting shall constitute a surrender or termination of such lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the College District the right to terminate the Facility Lease shall vest in the Board to be effected in the sole and exclusive manner provided for in subparagraph (a) thereof. The College District further waives the right to any rental obtained by the Board in excess of the rental specified in the Facility Lease and conveys and releases such excess to the Board as compensation to the Board for its services in re-letting the Facility. The College District further agrees to pay the Board the cost of any alterations or additions to the Facility necessary to place the Facility in condition for re-letting immediately upon notice to the College District of the completion and installation of such additions or alterations.

Under the Facility Lease, the College District waives any and all claims for damages caused or which may be caused by the Board in re-entering and taking possession of the Facility and all claims for damages that may result from the destruction of, or injury to, the Facility and all claims for damages to or loss of any property belonging to the College District, or any other person, that may be in or upon the Facility, except for such claims resulting from the intentional or negligent actions of the Board or its agents.

Each and all of the remedies given to the Board under the Facility Lease or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power, or privilege thereunder shall not impair the right of the Board to other or further exercise thereof or the exercise of any or all other rights, powers, or privileges. If the Board shall prevail in any action brought to enforce any of the terms and provisions of the Facility Lease, the College District agrees to pay a reasonable amount as and for attorney's fees incurred by the Board in attempting to enforce any of the remedies available to the Board under such lease, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment. Notwithstanding any other provision of the Facility Lease, the remedies described above are not available with respect to certain incidental facilities which are not located on the Site.

Upon the occurrence of an event of default under the Facility Lease, payments of Base Rental under such lease may not be accelerated.

#### *Amendment*

The Facility Lease may only be amended by a written instrument duly authorized and executed by the Board and the College District; provided, however, that no such amendment shall materially adversely affect the owners of the Bonds secured by such lease.

#### *The Site Leases*

Each Site Lease provides for the lease of the Site to the Board from the College District. Each Site Lease is substantially similar. Certain provisions of the Site Lease are briefly summarized herein.



### *Site and Purposes*

The Site Lease provides that the College District leases to the Board and the Board hires from the College District certain real property upon which the related Project will be constructed. The Board will use the Site solely for the purpose of permitting the construction of the Project thereon and leasing the Facility to the College District pursuant to the Facility Lease and for such purposes as may be incidental thereto, including the demolition of any improvements which are designated for demolition in the plans and specifications for the Project; provided, that in the event of default by the College District under the Facility Lease the Board may exercise the remedies provided therein.

### *Assignment and Subleases*

Unless the College District is in default under its Facility Lease, the Board will not assign its rights under the Site Lease or sublet the Site without prior written consent of the College District.

### *Default*

In the event the Board is in default in the performance of any obligations on its part to be performed under the terms of the Site Lease, which default continues for 60 days following notice and demand for correction thereof to the Board, the College District may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facility Lease will be deemed to occur as a result thereof; provided, however, that the College District will have no power to terminate its Site Lease by reason of any default on the part of the Board if such termination would affect or impair any assignment or sublease of all or any part of its Site Lease then in effect between the Board and any assignee or subtenant of the Board (other than the College District under its Facility Lease); and provided further that, so long as any bonds or other indebtedness of the Board are outstanding and unpaid in accordance with the terms of any indenture authorizing such bonds or other indebtedness, the rentals or any part thereof payable to the trustee pursuant to such indenture (by the terms of such assignment or sublease) will continue to be paid to said trustee.

### *The Continuing Disclosure Agreements*

The Board and the Treasurer will enter into a Continuing Disclosure Agreement. The terms of the several Continuing Disclosure Agreements will be substantially similar. Selected provisions of the Continuing Disclosure Agreement for the Bonds are briefly summarized below.

### *Definitions*

Pursuant to the Continuing Disclosure Agreement (the "Disclosure Agreement"), to be executed and delivered by and among the Board, the College District, if applicable, and the State Treasurer, acting as trustee, the following additional definitions will apply:

"Annual Report" means the Annual Report filed by the State Treasurer pursuant to, and as described in, the Disclosure Agreement.

"Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries).

"Dissemination Agent" means the State Treasurer, acting in its capacity as Dissemination Agent under the Disclosure Agreement, or any successor Dissemination Agent designated in writing by the State Treasurer.

"Listed Events" means any of the events listed in the Disclosure Agreement below under "Reporting of Significant Events."

"National Repository" means any Nationally Recognized Municipal Securities Information Repository certified by the Securities and Exchange Commission to be the recipient of information of the nature of the Annual Reports required by the Disclosure Agreement.

"Official Statement" means this Official Statement relating to the Bonds.

"Repository" means each National Repository and the State Repository.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" means any public or private repository or entity within the State created for the purpose of receiving information of the nature of the Annual Reports or reports of material events required by the Disclosure Agreement and recognized as such by the Securities and Exchange Commission. As of the date of the Disclosure Agreement, there is no State Repository.

#### *Provision of Annual Reports*

On behalf of the State, the State Treasurer shall, not later than April 1 of each year in which any Bonds are Outstanding, commencing with the report for the 1997-98 Fiscal Year, provide an Annual Report consistent with the requirements of the Disclosure Agreement to each Repository; provided that the audited financial statements of the State may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. The State Treasurer shall make a copy of any Annual Report available to any person who requests a copy at a cost not exceeding the reasonable cost of duplication and delivery.

If in any year, the State Treasurer does not transmit the Annual Report to each Repository by the time specified above, the State Treasurer shall instead file a notice with each Repository stating that the Annual Report has not been timely completed and, if known, stating the date by which the State Treasurer expects to file the Annual Report.

#### *Content of Annual Reports*

The Annual Report shall contain or include by reference the following:

(1) The audited General Purpose Financial Statements of the State for the fiscal year ended on the previous June 30, prepared in accordance with generally accepted accounting principles promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If the State's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to the Continuing Disclosure Agreement, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this

Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(2) Financial information relating to the State's General Fund budget for the fiscal year ended on the previous June 30 and for the fiscal year in which the Annual Report is issued, which information shall describe the sources of revenues, the principal categories of expenditures, and changes in fund balances and include a summary of expected State revenues and budgeted expenditures, significant assumptions relating to revenue and expenditure expectations, including updating the tables titled: "Summary of State Revenues and Expenditures" and "Revenue and Expenditure Assumptions," which appear in the caption "APPENDIX A -- The State of California -- Current State Budget" in this Official Statement.

(3) Information concerning the total amount of the State's authorized and outstanding debt, long-term lease obligations, and other long-term liabilities as of the end of the most recent June 30, which debt is supported by payments from the State's General Fund and which includes short-term debt. Such information shall include schedules of debt service for outstanding general obligation bonds and lease-purchase debt. This shall be accomplished by updating the tables titled: "State Public Works Board of the State of California Lease Revenue Bonds Secured by the Reserve Fund Under the Master Indenture" appearing under the caption "THE STATE PUBLIC WORKS BOARD" in this Official Statement and the following tables appearing under the caption "APPENDIX A -- The State of California -- State Indebtedness": "Authorized and Outstanding General Obligation Bonds"; "Outstanding State Debt"; "Schedule of Debt Service Requirements for General Fund General Obligation Bonds"; "Schedule of Debt Service Requirements for Enterprise Fund General Obligation Bonds"; "Schedule of Debt Service Requirements for Lease-Purchase Debt"; "State Public Works Board and Other Lease-Purchase Financing Outstanding Issues"; and "State Agency Revenue Bonds and Conduit Financing."

(4) A statement confirming that the insurance required by the Facility Lease(s) is in effect or, if insurance is not in effect, naming the reason therefor.

The Annual Report may consist of one or more documents. Any or all of the items listed above may be included in the Annual Report by reference to other documents which have been filed by the State with each of the Repositories, including any final official statement (in which case such final official statement must also be available from the Municipal Securities Rulemaking Board). The State Treasurer shall clearly identify in the Annual Report each such document so included by reference.

#### *Reporting of Significant Events*

Any of the following events with respect to the Bonds shall be considered a "Listed Event."

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) modifications to rights of Bondholders;
- (4) optional, contingent, or unscheduled bond calls;
- (5) defeasances;

- (6) rating changes;
- (7) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (8) unscheduled draws on debt service reserves reflecting financial difficulties;
- (9) unscheduled draws on credit enhancements reflecting financial difficulties;
- (10) substitution of credit or liquidity providers, or their failure to perform;
- (11) release, substitution, or sale of property securing repayment of the Bonds; or
- (12) any event which causes a Facility not to be available for beneficial use or occupancy by the College District.

The State Treasurer shall timely file a notice of each such occurrence, if material, with the Municipal Securities Rulemaking Board and each Repository.

#### *Termination of Reporting Obligation*

The State's obligations under the Disclosure Agreement shall terminate upon the maturity, legal defeasance, prior redemption, or acceleration of all of the Outstanding Bonds.

#### *Dissemination Agent*

The State Treasurer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out the obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the State Treasurer shall be the Dissemination Agent. The initial Dissemination Agent shall be the State Treasurer.

#### *Amendment; Waiver*

Notwithstanding any other provision of the Disclosure Agreement, the Board, the College District, if applicable, and the State Treasurer may amend or waive any provision of the Disclosure Agreement provided that the following conditions are satisfied:

- (1) If the amendment or waiver relates to the provisions regarding the providing of the Annual Report to the Repositories, the contents of the Annual Report or the events constituting "Listed Events," it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (2) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (3) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of

Holders or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

*Additional Information*

Nothing in the Disclosure Agreement shall be deemed to prevent the Board, the College District, if applicable, or the State Treasurer from disseminating any other information, using the means of dissemination set forth in the Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Agreement. If the Board, the College District, if applicable, or the State Treasurer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specially required by the Disclosure Agreement, neither the Board nor the College District nor the State Treasurer shall have any obligation under the Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

*Beneficiaries*

The Disclosure Agreement shall inure solely to the benefit of the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity (except the right of the State Treasurer or any Bondholder or Beneficial Owner to enforce the provisions of the Disclosure Agreement on behalf of the Bondholders). The Disclosure Agreement is not intended to create any monetary rights on behalf of any person based upon the Rule.

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## **APPENDIX D**

### **BOOK-ENTRY ONLY SYSTEM**

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE BOARD, THE STATE TREASURER AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE BOARD, THE STATE TREASURER AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY HEREOF. THE BENEFICIAL OWNERS SHOULD CONFIRM THE FOLLOWING INFORMATION WITH DTC OR THE DTC PARTICIPANTS (AS HEREINAFTER DEFINED)

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co., as DTC's partnership nominee. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act.

DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). (Direct and Indirect Participants may be jointly referred to as "Participants".) The Rules applicable to DTC and Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the State Treasurer or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the State Treasurer or the Board, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Board or the State Treasurer. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Board and the State Treasurer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

SO LONG AS CEDE & CO. IS THE REGISTERED HOLDER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS OR HOLDERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

NEITHER THE STATE TREASURER, THE BOARD, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC DIRECT PARTICIPANT, OR INDIRECT PARTICIPANT, (II) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE BONDS UNDER AN INDENTURE, (III) THE SELECTION BY DTC OR ANY DTC DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS, (IV) THE PAYMENT BY DTC OR ANY DTC DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS, (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF BONDS, OR (VI) ANY OTHER MATTER.



THE STATE TREASURER, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

## **APPENDIX E**

### **FORM OF FINAL LEGAL OPINION OF THE ATTORNEY GENERAL AND CO-BOND COUNSEL**

[Closing Date]

State Public Works Board of the  
State of California  
Sacramento, California

State Public Works Board of the State of California  
Lease Revenue Refunding Bonds  
(California Community Colleges)  
1997 Series \_  
(Various Community College Projects)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the State Public Works Board of the State of California (the "Board") of \$ \_\_\_\_\_ aggregate principal amount of State Public Works Board of the State of California Lease Revenue Refunding Bonds (California Community Colleges) 1997 Series \_ (Various Community College Projects) (the "Bonds"), issued pursuant to Part 10b of Division 3 of Title 2 of the Government Code of the State of California (the "Act") and an indenture dated as of \_\_\_\_\_ 1, 1997 as supplemented by a \_\_\_\_\_ supplemental indenture dated as of \_\_\_\_\_ 1, 1997 (together, the "Indenture"), between the Board and the Treasurer of the State of California, as trustee (the "State Treasurer"). The Bonds are issued for the purpose of paying the costs of refunding and defeasing \$ \_\_\_\_\_ aggregate principal amount of lease revenue bonds of the Board previously issued to pay the costs of financing and refinancing various Projects for use by the participating Community College Districts (the "College Districts"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Facility Lease(s), a tax certificate and agreement dated the date hereof (the "Tax Certificate"), opinions of counsel to the College Districts and the Board, and certifications of the College Districts, the State Treasurer, the Board and others, and such other documents, opinions and matters to the extent

we deemed necessary to render the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the College Districts, the Board and the State Treasurer. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to above.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Facility Lease(s), the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Facility Lease(s) and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Facility Lease(s) and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against state and local governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in the Facility Lease(s), or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Board.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding agreement of, the parties thereto. The Indenture creates a valid pledge, to secure the payment of the principal of, and interest on, the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the State Treasurer in any of the funds and accounts established for the Bonds pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Facility Leases have been duly authorized, executed and delivered and constitute the valid and binding agreements of the parties thereto. The obligation of each College District to pay Base Rental during the terms of the respective Facility Leases constitutes a valid and binding obligation of the College District. Such Base Rental payable by the College Districts to the Board under the terms of the Facility Leases, and subject to the terms and conditions set forth therein, constitutes the primary source of funds of the Board for payment of the principal of, redemption premium, if any, and interest on, the Bonds, and such rental is payable only from funds of the College Districts legally available therefor.

4. The Bonds are not a lien or charge upon the funds or property of the Board except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of, redemption premium, if any, or interest on, the Bonds. The Bonds are not a debt of the Board, the College Districts or the State of California within the meaning of any constitutional or statutory debt limit or restriction and the State of California is not liable for payment thereof.

State Public Works Board  
of the State of California

\_\_\_\_\_, 1997

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5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

DANIEL E. LUNGREN  
Attorney General

ORRICK, HERRINGTON & SUTCLIFFE LLP

By \_\_\_\_\_  
Deputy Attorney General

Per

LAW OFFICES OF JOAQUIN A. TALLEDA

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